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NEWS SUMMARY

GENERAL

Assad in moves to mould policy

President Assad of Syria leaves to-day for Amman. It is the first leg of a journey to try to co-ordinate Arab policy for a political solution to the Middle East conflict.

His talks with King Hussein of Jordan fall within the framework of the consultative procedures established earlier this year, but their scope is expected to be much wider.

After having had discussions in Damascus with Mr. Yassir Arafat, chairman of the Palestine Liberation Organisation, President Assad will go to Cairo to meet President Sadat of Egypt. Page 4

Smith's return may be critical

African nationalists in Geneva say that the return of Mr. Ian Smith to the talks will not change the situation but this move is likely to bring the conference to a critical stage. Page 4

Chirac chosen

Jacques Chirac was elected president of a renovated Gaullist party at one of the biggest political rallies France has seen in recent years. Back Page

Heath's belief

Mr. Edward Heath will make clear to-night in a speech in Glasgow that he retains fully his belief in a significant degree of devolution for Scotland despite the shadow Cabinet decision to vote against the Government's Scotland and Wales Bill. Page 6

Japan votes

Japan's ruling Liberal Democratic Party appeared to have only a slim chance of winning an overall majority in the Lower House after about half the results had been declared in the general election. Back Page

Ice grips

Winter continued its icy grip: roads in every county were affected by ice, snow or fog; visability in Greater Manchester was 30 yards; freezing fog continued on Merseyside; Speke Airport, Liverpool, was closed; many flights were delayed or diverted; snow ploughs were out near Edinburgh; and 20 vehicles were involved in a pile-up on the M1 at Watford Gap, Northants.

Strike call

The powerful, Communist-led French printers' union has called for a nationwide newspaper strike to-day after the expulsion by police of striking printers from the tabloid Parisien Libére, who have been occupying the premises for 20 months. Page 4

Jumbo 'poison'

British Airways is holding an inquiry after 31 passengers on a Jumbo from London to Melbourne were taken to hospital in Sydney with suspected food poisoning.

£50,000 winner

The £50,000 Premium Bond winner, number 4WB 237393 lives in Dorset.

Rape report

More rapes are carried out by friends, relatives or acquaintances than by strangers, a report from the London Rape Crisis Centre said.

Britten funeral

Benjamin Britten will be buried to-morrow near his home in Aldeburgh, Suffolk. Obituary, Page 3

Floreat Feltham!

The corridors of Feltham Comprehensive School, West London, are more civilised than the hallowed halls of Eton, say six of the public school boys who took part in a three-day exchange.

BUSINESS

Recovery faltering, surveys indicate

● PROSPECTS of a sustained economic recovery are receding and, with industry becoming more pessimistic about the likely trend of costs and profitability next year, forward investment and manpower plans are beginning to be scaled back.

These are the main features to emerge from the latest FT survey of business opinion, which indicates that a gloomier view is now being taken about the likely trend of wage costs next year. Back and Page 38

● THE CBI monthly trends inquiry for November shows a *distinct faltering in the pace of* growth in new orders for manufacturing industry, including export orders. But the general trend is still towards recovery, *although it appears to be* considerably weaker than expected earlier this summer. Back Page

● BULLOCK COMMITTEE on *industrial democracy in the* private sector has reached a compromise between the rights of shareholders and worker-directors to determine the policies of *Britain's biggest 600* companies. Back Page

Industry 'misses delivery dates'

● MANUFACTURING industry is strongly indicted for failing to meet delivery dates in a study sponsored by the British Institute of Management and published to-day. The report also says that there are unnecessarily long lead times on component production and a lack of management control in the buying of materials. Page 6

● SIME DARBY row over the composition of [illegible] Board took a new turn at the week-end when Mr. Jim Bywater *offered to give up the chairman*ship while remaining a director if this would help to solve the dispute with Malaysian interests. Page 34

● UNOFFICIAL AIR fare cuts in government-approved international charges are causing financial problems for the world's airlines which, the International Civil Aviation Organisation estimates, could be losing £200m. to £300m. a year. Page 34

● STANDARD LIFE Assurance's record £1bn. new business figures indicate that 1976 will be another good year for the life assurance industry, with fresh peaks attained in business written. News Analysis, Page 34

● GUINNESS is to launch an extra-strong stout called Triple X, its first new bottled beer for 200 years.

● BRAZILIAN CONSORTIUM says the Rio de Janeiro Government is studying a plan to provide financial guarantees for its take over of the Canadian-controlled Light Servicos de Eletricidade, Brazil's biggest public utility. Page 35

● GREEK GOVERNMENT is to pay Mr. Stavros Niarchos, the shipping magnate, $12.35m. (£7.44m.) to regain complete ownership of the Aspropyrgos oil refinery near Athens.

Nigg oil refinery 'threatens jobs'

● OIL REFINERY workers are putting pressure on the Transport and General Workers' Union to step up the campaign against the building of a £200m. refinery at Nigg on the Cromarty Firth, which is also opposed by the big oil groups. The union argues that British refineries are already working at only two-thirds capacity and that the new plant *would only pose a further* threat to jobs. Page 6

● BANK OF ENGLAND staff have suggested to the Treasury that two *of the staff should be* elected to the Court of Directors to ensure that the views of employees are known at top level. Page 7

● RENAULT CAR prices go up an average 6 per cent. from to-day, except for the new 20TI model.

For latest Share Index phone 01-246 8026

Agreement on IMF loan terms nearer

BY JUREK MARTIN AND DAVID BELL, WASHINGTON, DEC. 5

AFTER TEN days of intensive negotiations on both sides of the Atlantic, agreement on the terms of the British $3.9bn. loan from the International Monetary Fund has now moved closer.

This loan is likely to be accompanied by a firm commitment by the Group of Ten to talks about the future reserve role of sterling which would, in turn, be underpinned by a new international standby credit while these talks are in progress.

The emerging consensus has involved "thousands of hours of detailed analysis" of British economic statistics not only by the British Government but also by the Fund, the U.S. Treasury and, possibly, West Germany.

Some of this analysis began *as early as last spring* in Washington and elsewhere because of international concern over the performance of the British Treasury's forecasting model of *the economy and the fact that* it has made little or no provision for the so-called "feed-back" effect of monetary and financial policies on the rest of the economy until the most recent revisions.

As a result, British economic data has been fed into independently constructed models of the British economy designed to take specific account of monetary factors.

These studies are understood *to have shown that present* British monetary policies are inconsistent with most of the other policy objectives of the British Government, particularly in their effect on increasing the amount of capital available for investment in industry.

These findings may help to explain the growing British acceptance that — after stiff initial resistance — cuts in public expenditure are necessary. Close attention must also be paid in the future to the critical ratio between public expenditure and the Gross Domestic Product.

Further, there is agreement that the weight of public borrowing must be looked at over the next two years with great care, in relation to monetary growth.

Poker game

The parties to these negotiations say that in the past two weeks the character of the talks has changed and that, although earlier they had some of the characteristics of a poker game, this is no longer the case.

They say that in the past two weeks there has been a real effort on all sides to restore what one official described as the "symmetry of the British economy."

In the light of this, the precise figures of the public sector borrowing requirement have *assumed somewhat less importance.*

Nevertheless, it is clear that "fairly dramatic action" to reduce the public spending in the next financial year will be part of the package to be announced by the Government. Both the IMF and the U.S. Treasury still *feel that in the 1977-78 financial* year the PSBR should fall to about £8bn., with a further fall in the following year. But it is also acknowledged that the difficulties of precise forecasting *may make it desirable not to fix* too firm a target.

Equally, while one of the most important conditions attached to the IMF loan will lay down a regular scrutiny for domestic credit expansion which is thought to be consistent with a 10 per cent. growth rate in the money supply over each of the next two years, it is recognised that the precise monetary implication of the domestic credit expansion régime may be strongly affected by the development of the balance of payments, which is difficult to forecast.

The U.S. has been careful to keep out of the direct negotia*tions between Britain and the* Fund. Last week-end's discussions in London with senior U.S. Treasury officials involved no negotiations, it is stressed.

But the U.S. arguments, reinforced by those of Dr. Witteveen on Wednesday, when he saw the Prime Minister and Mr. Denis Healey Chancellor of *the Exchequer may have been of* critical importance in persuading the British Government to accept an analysis that indicated the need for further cuts.

The Americans like to compare the educative processes of the last few weks with those that the U.S. itself underwent in 1972-73 when it became clear here that *their conventional economic* policies of the 1960s were proving inadequate in dealing with the problems of the 1970s.

Softer line

Sensitive to any suggestion that this outgoing Republican Administration might be anxious to undermine the British Labour Government, U.S. officials have rested their case on the evidence of these models and have scrupulously avoided any contact with members of the British Conservative Party.

The softer U.S. line of the past two weeks on the sterling balances and on a possible new standby credit may be seen as an earnest of U.S. intentions.

There has been concern here that Mr. Healey was in danger of losing the battle inside the British Government over the acceptance of new economic disciplines.

But it is now felt, particularly *after* Dr. Witteveen's *talks in* London, that Mr. Healey's position has been strengthened, in good measure because Mr. Callaghan has now apparently *thrown his weight behind the* Chancellor.

Critics back spending cuts plan

BY RICHARD EVANS, LOBBY EDITOR

WITH BROAD agreement reached on the need to cut the *public sector borrowing require*ment by about £2bn. in the next financial year to satisfy International Monetary Fund terms for the $3.9bn. loan, the Cabinet *moves this week to the painful* search for ways and means of bringing this about.

Mr. James Callaghan, who allowed discussions to run on *without declaring his position* until last Thursday, has now given his total support to the revised proposals for making the cuts put by Mr. Denis Healey, *Chancellor of the Exchequer.*

Former critics now willing to back the totals agreed include Mrs. Shirley Williams and Mr. Harold Lever from the moderate wing and Mr. Michael Foot and, more reluctantly, other Left-wingers.

Mr. Anthony Wedgwood Benn and Mr. Peter Shore have continued to press the case for an alternative strategy involving rejection of the IMF terms and imposition of extensive import controls, but are expected to back their colleagues if the present proposals go through.

IMF told

The agreement was reached after hours of troubled argument over the past fortnight, but Ministers *have now* made what they believe to be a satisfactory compromise between the original IMF demands and the cut which would be politically satisfactory.

This entails, as reported in the Financial Times, cuts in public spending next year that would reduce the PSBR by about £1bn., with a further £500m. reduction from lower financial payments, particularly debt interest. In addition there is the prospect of selling part of the *Government's holding in* British Petroleum to raise a further £500m., bringing the total to £2bn.

The IMF has been informed of the results of last week's Cabinet discussion, and Ministers hope to have the Fund's reaction before this afternoon's Cabinet.

It was stressed *in* Whitehall yesterday that in no sense was the IMF presented with an ultimatum, but it was pointed out that the Cabinet would find it *virtually impossible to go beyond* the present proposals without destroying the Callaghan administration.

There was no support in London yesterday for reports that further acute difficulties over the loan had been caused by an IMF demand for cuts of £2bn. in the PSBR in 1978-79 as well as the cuts called for in the next financial year.

The importance for the Government of the proposals that have been hammered out is that Mr. Healey, having retracted *his original demands in the face* of widespread opposition from all political sectors of the Cabinet, now has the backing of many of his former critics.

There would undoubtedly be grave dangers to Cabinet unity if the proposals were found unacceptable to the IMF. Mr. Callaghan does not intend to place in jeopardy either the social contract with the unions, which comes up for renewal from the end of July, or the Government's own political viability, because of the unacceptable pressures that a further substantial cut in public spending would entail.

If the Cabinet is unable to agree a package to cover the full £1bn. of public spending cuts there could be a proposal to raise indirect taxes, such as VAT, or excise duties on drink and tobacco, to bridge the gap. But the trend of Cabinet discussion has been against this because of the adverse impact on prices and on the social con*tract negotiations.*

It is also acknowledged that Mr. Healey may have a difficult problem of presentation. If the foreign exchange markets feel the cuts are cosmetic rather than representing a genuine reduction in expenditure, much of the Cabinet's efforts would be wasted.

The discussion about how the overall cutback for 1977-78 is to be translated into public spending cuts of £1bn. will begin in the Cabinet this afternoon, and continue at further meetings to-morrow and probably on Thursday. Despite the slippage, Mr. Healey remains hopeful he will be able to make his economic statement to the Commons some time next week.

Government thinking on the terms of a package will be *probed at to-day's meeting of the* TUC-Labour Party Liaison Committee, attended by senior Ministers and trade union leaders. Assurances are likely to be given by Ministers that the Government is intent on preventing a further rise in unemployment by all possible means.

Mr. Edward Heath, the Conservative former Prime Minister, said yesterday that the Cabinet's first priority must be to maintain the value of sterling. He forecast on ITV's Weekend World that inflation would increase and prices rise unless the pound was stabilised, and said this could be done only with the right sort of package.

Mr. Peter Shore, the Environment Secretary, denounced calls from the Right for massive deflation as "politically motivated and exceedingly dangerous."

The political attraction was

Continued on Back Page

Rubery Owen component strike may be ended by meeting to-day

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

HOPES of averting more widespread disruption of the motor industry rest on a meeting to-day of the unofficial strikers at Rubery Owen, the components supplier.

Nearly 9,000 workers have been *made idle by the three-week* strike of 120 maintenance engineers, who demand a £10-a-week pay rise.

The engineers, summoned to to-day's meeting by telegram, will be presented with a peace formula urging them to reverse their decision, taken late on Friday, to continue the strike.

Deadlock in the dispute, in which the strikers persistently refused to discuss their claims with either management or the *unions, was broken by senior* union officials.

Mr. Brian Mathers, Midlands regional secretary of the Transport and General Workers' Union, and Mr. Fred Griffiths, of the Amalgamated Union of Engineering Workers, thrashed out a return-to-work formula in six hours of talks with the men's stewards.

Negotiations were conducted by telephone with Rubery Owen management under the auspices of the West Midlands Engineer*ing Employers' Association.*

Unless the men agree to the terms of the formula to-day disruption in the vehicle industry will spread, as Rubery Owen is an important supplier of petrol tanks, wheels and axles.

Ten Leyland Cars factories are affected and 6,000 workers idle. *Production of three models, the* Mini, Range Rover, and MGB, has been halted, with the loss of important export sales. Leyland puts the cost of lost production so far at more than £10m.

The company said last night that it was impossible to estimate how quickly layoffs would spread, but the Land Rover *looks the most vulnerable* model.

The disruption comes at a bad time for Leyland, which is concerned about productivity levels and a shortage of vehicles. Production of the Marina at Cowley will be returning to normal only to-day after a strike at Coventry Engines.

The Rubery Owen dispute has meant slowing of some Leyland truck and bus production lines at Bristol, Leyland, and South*all. The most serious impact is* at the Bathgate truck plant in Scotland, where production has been seriously cut to eke out supplies and prevent layoffs.

Chrysler van and truck production at Dunstable, has been halted with 450 made idle.

Vauxhall said alternative wheel supplies have been obtained, and *the company hoped* that layoffs would be avoided. At Ford the situation was being watched, but "no problems" had yet arisen.

Even if Rubery Owen returns *to work quickly underlying prob*lems will remain because of the chaotic wage structure at the Darlaston plant.

Mr. John Owen, managing director, has said that the viability of the company is threatened by labour disputes. Continuity of production is all-important to vehicle-assemblers, and the latest dispute will undoubtedly have prompted the motor companies to investigate alternative sources of supply.

Talks on shipbuilding quotas

BY JOHN WYLES, SHIPPING CORRESPONDENT

CRUCIAL TALKS aimed at persuading Japan to reduce its proposed share of world shipbuilding orders over the next four years will take place within the Organisation for Economic Co-operation and Development in Paris this week.

A *meeting* of the OECD working party on shipbuilding to-day and to-morrow will provide a key test of assurances which the Japanese gave to the EEC just *before the Heads of Government* summit last week.

A promise of a co-operative attitude on shipbuilding was one of the factors taken into account by the Heads of Government when they agreed to allow another three months for the search for a solution to the growing trade imbalance between *Europe and Japan* over a broad range of industrial sectors.

The EEC's main solution, which was proposed at an OECD meeting in October, is that Japan should take no more than 50 per cent. of annual shipbuilding orders placed among OECD countries.

Japanese officials are due to reply to this suggestion to-day.

The EEC countries which are tabling additional proposals, hope that the Paris meeting can lay the foundation for an agreement which could be completed at talks between the EEC and Japan before Christmas. Japan announced on Friday that it would be willing to take part in such talks.

The EEC proposals pose problems for the Japanese who feel that they have gone as far as *possible in ordering their indus*try to cut its output from a peak of 16.9m. gross tons in 1974 to an annual production of 6.5m. by 1980. This would be broadly half of estimated world production in that year.

But the EEC demand that Japan should limit itself to 50 per cent. of the OECD market would reduce annual output to between 4m.-5m. gross tons—a level which the Japanese say would pose them with severe employment problems.

However the EEC countries are now prepared to take a tough line in the face of recent figures which show that between January and September, Japan took 86 per cent. of orders placed with OECD members. The EEC wants an agreement by January 1 and is making it clear that defensive measures must soon be adopted if Japan will not take a more moderate line.

● Officials from the Confederation of Shipbuilding and Engineering Unions from Clydeside hope to see Mr. Eric Varley, Secretary of Industry, to-morrow to press him to announce Government backing for the speculative construction of a 295,000-ton tanker at Scott Lithgow's Port Glasgow shipyard.

The meeting is being sought to put additional pressure on the Government before Wednesday's talks in London between Cabinet Ministers, including Mr. Callaghan, and the Scottish TUC about a wide range of industrial problems in Scotland including shipbuilding and Scott Lithgow.

The tanker they want to go ahead would preserve 2,000 jobs *for more than a year, at a cost* of about £25m. It is the second of a two-ship order from Maritime Fruit Carriers, and has effectively been cancelled by the troubled shipping group.

Fears over Ulster bomb blast

BY GILES MERRITT

THE DEVASTATION of Londonderry's shopping centre in a military-style incendiary bomb attack was last night giving rise to bitter criticism of security arrangements, as well as fears that after several years of comparative calm, the city is re-emerging as an Ulster trouble *spot.*

The attack took place against the background *of* yesterday's peace rally at Drogheda, in the Irish Republic attended by an *estimated 10,000 supporter from* Ireland and Ulster.

There are varying initial estimates of the damage—ranging up from about £1½m.—which *affects nearly half the shops in* Derry's main commercial district on the West Bank of the River Foyle.

But the cost will almost certainly push the bill for Government compensation in Northern Ireland so far this year above £200m.

Details of the attack are to be discussed at a Security Review at Stormont Castle this morning.

It is not certain whether the meeting of senior army and police officers will have Mr. Roy Mason, Northern Ireland Secretary, as chairman.

The firebomb raid has destroyed 16 shops in Shipquay Arcade and Shipquay Street, and reportedly damaged six others seriously. The number of devices planted is still unknown and security forces were yesterday on the alert for other unexploded bombs in the area.

Those that caused the damage apparently went *off* close together, in what is described as Derry's "worst-ever bombing."

But the fact that the devices were inside the city centre strict security zone is producing the strongest local criticism. A prominent Londonderry Loyalist, Mr. Glenn Barr, the Vanguard Party's deputy leader, said the success of the attack "did not say much for the security forces."

To enter the shopping zone people must first undergo a *search, but most of the material* required for an incendiary bomb can be bought within the zone.

● At the week-end conference of the Social Democratic and *Labour Party, a motion calling* on the British Government to withdraw from Northern Ireland was finally defeated by 153 votes to 111.

LOMBARD

The less good news about strikes

BY GEOFFREY OWEN

GOOD NEWS is always worth publicising and this certainly applies to the Department of Employment's recent analysis of strike activity in the U.K. It shows that the strike-proneness of which our overseas customers complain is confined to a very small section of industry. Over the three-year period 1971-1973 the proportion of manufacturing plants found to be free of stoppages was 95 per cent. Even in the worst areas like Merseyside and Glasgow strikes affect only a small minority of plants. But before anyone starts using these facts, and the undoubted reduction in wage disputes over the past two years (largely because of incomes policies), to claim that the U.K. has no industrial relations problem, the other side of the picture should not be forgotten.

Productivity

The 5 per cent. of strike-affected plants includes companies in some major industries, such as motor vehicles, shipbuilding and parts of engineering. There is no escaping the fact that plant managers in British car companies tend to spend at least half their time on industrial relations problems, usually of a fire-fighting nature, while their counterparts on the Continent spend a fifth of their time or less. Even if British labour relations are improving—and the evidence on this is not yet conclusive—they remain a serious element of our basic industrial problem, low productivity. The fact that the extent of strike activity is often wildly over-stated is no excuse for ignoring it.

Dealing with bad labour relations is primarily a matter for management; up to now, the trade unions have had only a limited influence over what happens on the shop floor. For management, the first priority should be to make collective bargaining arrangements work better. Those companies which have allowed their collective bargaining systems to fall into disrepair are those which tend to have the worst strike record. It is an illusion to suppose that a dose of industrial democracy, however that term is defined, will magically transform labour relations in these companies.

The vogue for industrial democracy, as reflected, for example, in the Ryder report on British Leyland, has some worrying aspects. Few would quarrel with the proposition that managements should discuss major issues with employees or their representatives and that employees should have a chance of influencing decisions before they are taken. But if participation is pushed too far too fast, there is a danger that the ability of management to do its job will be impaired and the decision-making process slowed down. There is the further risk—and this could apply in the British Leyland case—that an elaborate apparatus of participation committees might so dominate the attention of management and shop stewards that the reform of collective bargaining procedures will be neglected.

Given the continuing need to improve the nuts and bolts of collective bargaining, putting workers on Boards is a distraction we could all do without. It is true, as Mr. Len Murray remarked recently, that worker directors can in one sense be regarded as the "icing on the cake, an outward and visible sign of an inward state of grace." But what is the point of making the icing if the ingredients in the cake have not even been assembled, let alone cooked?

Infrastructure

Whatever the actual consequence of worker directors—and Continental experience suggests that they do not make a great deal of difference one way or the other—the publication of the Bullock Committee's report next month will spark off a long and bitter debate about an issue which is at best marginally relevant to the country's real problems. Unfortunately the Prime Minister seems committed to the idea, presumably in the belief that worker directors have something to do with West Germany's enviable industrial relations record. But Germany's trade union structure and traditions are entirely different from those of the U.K. In this country it is the infrastructure of industrial relations that needs attention, not the ornamental roof.

One hopes that the expected note of dissent from the management representatives on the Bullock Committee will put the whole issue in its correct perspective. It is questionable whether worker participation in any form is appropriate for legislation; there are already far too many laws affecting labour relations, usually for the worse. An attempt to bring in worker directors by law will create unnecessary conflict between the CBI and the TUC and do nothing to improve labour relations in industry.

THE WEEK IN THE COURTS

Woodall-Duckham points on accountancy

BY JUSTINIAN

AT FIRST sight, last week's decision by Mr. Justice Templeman in *Pearce v. Woodall-Duckham** turned on a question of fact. If that were so, the Revenue's appeal from an adverse decision of the Special Commissioners should, therefore, have been summarily dismissed.

A closer look, however, discloses interest to the accountancy and legal professions at two levels.

The company carried out engineering work on long-term contracts. Progress payments were provided for, so the cash-flow situation presented no problems.

But how were the year's results to be recorded in the company's accounts? Under the Companies Act, 1929, a company was required to prepare accounts to give "a true and correct" view of its state of affairs at the end of its financial year. But who decided what was "correct"?

There are many ways of looking fairly at trading and other results. A significant change was made in the Companies Act, 1948. Section 149(1) provides now that every balance sheet shall give a "true and fair" view of the state of affairs, and every profit and loss account "a true and fair" view of the profit or loss, for the financial year.

Parliament has thus recognised, to vary the Orwellian theme, that "all company accounts are incorrect, but some may be less incorrect than others."

A fair view

The most primitive method of accounting—barristers are the only people using it—is the cash basis. On the debit side, one enters disbursements; on the credit side, one enters actual receipts.

This method is unsuitable for giving a fair view of how a commercial enterprise is faring because the accident of the dates when the bills are paid may totally distort a year's results.

Universally recognised as a preferable method of accounting is the "accruals basis," according to which earnings (as opposed to cash received) are matched with what it costs to earn. Stock-in-trade and work-in-progress look, at first blush to the uninitiated, like valuable assets of the trader concerned—a view apparently consistent with the traditional practice of entering stock-in-trade at the year's end at "cost or market price," whichever is the lower.

But a better way of looking at both stock-in-trade and work-in-progress is expressed in the Radcliffe Committee report of 1955: "These figures are not estimates of value . . . the figure of opening stock is a figure of unabsorbed cost, brought forward from the previous year, to be placed against the receipts of the current year.

"Similarly, the figure of closing stock denotes costs which, being unabsorbed in the current year, are carried forward to be charged against the receipts of the succeeding year. Neither denotes a stock value."

That, of course, leaves room for argument on the meaning of "cost." One must obviously carry forward the costs of raw materials and direct labour (that is, "direct costs") spent.

'Direct cost'

But what about overheads? The Revenue at one time acceded to the suggestion that a proportion of overheads ought to be added to direct costs, because by this latter method ("the on-cost method") one got a more accurate figure for the year's profits. The courts reversed that ruling.

The "direct cost" and the "on-cost" methods gave a "true and fair view" of the year's profits, and the Revenue could not compel a change from the one method to the other.

With this essential background, one can turn to the *Woodall-Duckham* decision. Before the financial year of 1969, the company employed a sophisticated "on-cost" method for computing work-in-progress. But in the words of the company chairman *this method* "though satisfactory over a series of years when the company was running on a steady output, is in years of expansion discouraging to staff and unsatisfactory to shareholders."

Finally, at a Board meeting in December, 1969, the directors resolved that for 1969 and subsequent years, "a new basis" should be adopted, under which work-in-progress on an uncompleted contract should be calculated as "prime cost plus a proportion of expected gross margin."

At the first level of interest, any ultra-conservative reader is expected to express astonishment, on the grounds that it is a cardinal principle that profit shall not be taxed until realised, and yet, here is a taxpayer deliberately bringing anticipated and "unrealised" profits into account.

The impact of the change on the sum attributable to work-in-progress in Woodall-Duckham's accounts at the end of 1969 was to increase it by £89,217. The intelligent reader will wonder why on earth the Revenue should complain about the change.

This brings us to the nub of the case before Judge Templeman in which the company claimed that internal consistency of accounting demands that the figure for work-in-progress at the beginning of 1969 must also be recalculated on the same basis.

This means that the opening figure on January 1, 1969, would be £579,874 higher than the closing figure for December 31, 1968.

The company said this surplus does not represent profits arising in 1969 so it cannot be taxed in 1969. What then did it represent? Ingeniously, the company answered its own question by asserting that they were profits earned in respect of work done prior to January 1, 1969.

Second level

Judge Templeman's initial reaction was that this seemed too good to be true. So good indeed that he preferred the Revenue's explanation of why they could never seek to raise such additional assessments in respect of earlier years—namely, that there had been nothing wrong with those earlier years' accounts or assessments.

There is no such thing as "the one and only true accounting basis." The company's pre-1969 "on-cost basis" did give a "true and fair view," and the law gave the company the right to employ that method, if desired, both before and after 1969.

This being the case, the second level of interest is revealed. If Judge Templeman is wrong, a quite delicious opportunity is afforded any company with long-term contracts to achieve a tax-free profit.

The company chooses a year in which opening work-in-progress is at a peak, up-values it, and enters the resulting "surplus" as a non-taxable surplus arising on a change in valuation of contract work-in-progress at the end of the previous accounting period in the accounts for the year of change.

All this could arise from a change of one valid accounting method to another. There is sufficient at stake for the case to go before the Court of Appeal. The intriguing question is whether the higher courts will also think that the company's argument is too good to be true.

**The Times Law Report November 30.*

RUGBY BY PETER ROBB

London-Scots have hop

THE LONDON WELSH players (quite rightly in my opinion) refused to play against Bath because of the frost. While that was acceptable, what was unacceptable was the lateness of the cancellation, when it must have been obvious mid-morning that the match could not be played.

Many disgruntled spectators made for the London-Scottish-Aberavon game round the corner. It was, though, a match of such low profile that at times the Rugby was invisible.

These are not exactly heady days for Scottish, but this 10—8 victory may well presage better things, for in the final 20 minutes they showed great character in defence against the visitors, who were hen going at full throttle.

Pratt, a flanker, had a marvellous game, and there were other heroics from Fairbairn, Pickering, and Kelly. Gainham was a reliable last bastion.

McHarg had a personal duel against Martin and just about won it with some good jumping and searching open play. However, Martin played a very solid and traditionally acceptable second-row roll.

In attack Scottish only mounted coherent attacks at infrequent intervals because Drummond insisted on kicking away good possession and Lawson had an off-day with his passing.

Slow pass

Aberavon began shabbily, scarcely making headway until one breath-catching 15-man move just before half-time. That showed what they could do, but they were guilty of so many fouls that they spoiled interesting attacking situations.

In the first half their limited possession stunted any expansion as did Shell's unusually slow pass. When his forwards improved especially Clarke, Bell, and Hancock, he quickened up and so the two wings, Griffiths and James, ... the game much more.

In the centre is was ... showed the thrust and ... but it was not always ... for him to get the ball, ... was first harassed by ... then began to pass bad... pard, good in defence, ... rely on getting the ball ... of Davies's uncertainty.

Drummond gave Sc... quick lead from in fro... posts after missing the ... bial sitter in the ve... moment. Martin squared ... very shortly and then Dr... gave Scottish the lead ... other penalty after ... ghastly miss.

McHarg scored a goo... minutes before half-ti... for a dejected Drumm... the simple kick.

Martin kicked an early ... in the second half fro... point. Scottish only le... territory by some good ... from Lawson and Wi... thanks to the repeated ... sion of penalties by Ab...

Gloucester win tense struggle

BY STUART ALEXANDER

GLOUCESTER GO through to the second round of the John Player Cup after a tense struggle with Harlequins at Stoop Memorial Ground in which they finally won by 17 points to nine.

In getting there, they had had to cope not only with very difficult conditions but their own inability to establish either mastery in front or penetration through their backs.

The ground was hard at the start and as the temperature dropped to below freezing it must have been close to unplayable by the end.

The slippery conditions led to many moves breaking down but Gloucester were also let down by the goal kicking of full-back Butler.

Normally a prolific points scorer, he managed only one penalty and one conversion out of 13 kicks at goal. If he had been his usual accurate self, then Gloucester's score would have been devastating.

All the Harlequin's points came from the penalty-kicking of full-back Billy Bushell, but he blotted his scoring copy book by often being caught in two minds by the aggressive Gloucester loose forwards when a simple line kick would have relieved all the pressure.

The 'Quins forwards worked hard throughout the game to win a good supply of ball, but behind them the backs were rarely able to mount any sweeping attacks and Wordsworth, at stand-off, had a poor tactical game as well as kicking badly.

Racing off

Weather conditions have caused to-day's race meetings at Southwell and Hexham to be abandoned.

Compensation

For all that, Gloucester made heavy weather of their victory until the last 15 minutes when they took control. At the line-out they won little good ball, and at set scrum and ruck they were often robbed when there should have been no question about which side the ball was going to come out.

They took some compensation, however, by scoring three good tries through Boyle, Clewes and Pinkney, the last two in ... 15 minutes of full and ... time.

By this time, the Glo... pressure was beginning ... and 'Quins were pushe... again and again to defe... own line.

There was a little ... both forward and thre... but the game was stern... trolled by referee Mr. Rapson. However, Barn... Quins' lock, was fortunat... let off with a warning ... blatant kick at a Glo... forward.

Quins were hardly hum... the defeat which gave Glo... revenge for an earlier d... the hands of the Twic... side on their own home ...

What was more appare... anything else was the co... ing effect that sudden ... results can have on tw... who have both proved t... capable of far more ope... ball. Gloucester will be ... to produce far more rh... they are going to win ... rounds.

Scorers—Harlequins: B... (3 penalties). Glou... Boyle, Clewes, Pinkney (... Butler (conversion), ... (penalty).

SOCCER BY JAMES FRENCH

Old-fashioned entertainment

ARSENAL'S 5-3 over Newcastle provided good, old-fashioned entertainment that justified the absence from their firesides of 34,053 (Saturday's third highest League crowd) and made nonsense of arguments that British soccer should take a mid-winter break.

One great pleasure was that there were two true centre-forwards playing in the match, both actually wearing No. 9 shirts (if that noun can rightly be applied to the tarted-up motif-strewn monstrosities Newcastle wear). They made quite a contrast, and scored five of the e'ght goals.

Arsenal's Malcolm Macdonald was clearly determined to do his best against the club who sold him for £333,000 last year.

Broad-shouldered and heavy-chested, he looks a tank of a player, yet relies more on manoeuvrability than aggressive use of power. He scored all his goals from near the left post, two from biting headers.

His successor at Newcastle, Micky Burns, Preston-born and a £175,000 purchase from Blackpool, is perhaps a more subtle player, able to create sudden danger by stealth'ly assuming position and capping it with a sharp run and brisk shot.

On the day, his better balance on the slippery surface gave him an extra advantage over his close opponents.

Indeed, the spate of goals proved that conditions were kinder to speedy forwards. There were also twice the average quota of near-misses contained in a goalless draw, with Macdonald and Burns providing most of them.

Here was proof that Mr. Terry Neill, the manager, meant what he said in declaring his intention to make Arsenal play more aggressive and attacking football.

Newcastle made their own generous contribution to an entertaining game, wiping out the gross injustice that put them 1—4 down three-quarters of the way through.

Home fans

Mr. E. Read (Bristol), the referee, made a bizarre contribution, generously extending each half by at least two minutes more than amateur timekeepers thought was due for injury.

In each bonus period Arsenal scored, although it was the home fans who were anxious for the final whistle, since Newcastle had proved their scoring capabilities. His booking of Nelson for a trip late in a game played in good spirit seemed harsh.

Burns put Newcastle ahead (13 minutes), but Ross Macdonald (27) and Sta... (45) gave Arsenal half-tim... mand, which Macdonald ... forced (64). Newcastle ... within a minute by Gowlin... and Burns (17) resurrecte... debate, which was f... clinched by Macdonald (8...

Stapleton, a Dublin lad ... on Gaelic football, who ... for Arsenal in September ... as a 15-year-old apprentice, ... highly impressive, and ... prove a Soccer great if he ... maintain even half his am... rate of progress.

A minute before half-tim... chased a ball to the goal... and pulled back a pass that ... donald managed to thunder ... from six yards. In the ... attack, from a correspond... position to the left of goal, ... managed to squeeze in a ... that looked impossible to ... as Macdonald's effort was to ...

Newcastle achieved suffi... to explain how they have ... into third place in what is ... shaping like a distingui... First Division competition, ... to go some way towards jus... ing the claim that they ar... better team without Macdon...

They are clearly a res... and well-knit side, and Mah... the goalkeeper, ... deserved to be beaten ... times.

TENNIS BY JOHN BARRETT

Curtain up on Masters in U.S.

THE CURTAIN went up yesterday at the 17,000-seat Summit Arena, Houston, on the Masters Tournament, the last act of Commercial Union's five-year association with tennis.

During that time the company has spent a little over £1.6m. in building its corporate image, but its contribution to the development of tennis as a world-wide professional sport has been immense.

When the Grand Prix was launched in 1970 there were two tournaments in the point-linked circuit and a top prize of $2,500 from the $150,000 pool.

This year the 48 tournaments in 22 countries have contributed to a singles bonus pool of $791,000 and 35 players benefit—from the top men Raul Ramirez of Mexico who wins $150,000 down to Austria's Han's Kary who receives £8,000.

Ramirez also wins the $40,000 top prize from the doubles pool of $200,000 which benefits another 20 players.

The Masters combines round-robin play among two four-man groups with the winner of each section playing the runner-up in the other in knock-out semi-final matches leading to a final with $40,000 for the winner and $20,000 for the loser.

Despite the absence of Bjorn Borg, Ilie Nastase and Jimmy Connors, who on Saturday won his first match 6—4, 6—4, against fellow American Vitas Gerulaitis in the $320,000 WCT Challenge Cup winner-take-all series in Las Vegas, the Masters remains the most testing occasion of the tennis year.

Opulent

The setting this time is opulent—even by American standards. At the 13-month-old Summit Arena which was built at a cost of $18m., plus another $2.5m. for the sophisticated television equipment, there are 20 suites complete with private bar, toilet, lounge chairs and closed circuit TV.

These are leased to local corporations for $20,000 each per year for the 41 basketball games and 40 ice hockey matches of the winter season. All spectators can enjoy instant re... on the two giant TV scre... at each end of the arena.

Suite holders pay extra ... special events like the Mas... for which 65,000 seats have ... sold in advance.

Thus the world indoor re... of 79,411 at Philadelph... Spectrum Stadium for the ... U.S. Professional Indoor Cha... pionships might well be brok...

"If Connors had been playi... we would have put 100... people through the Summ...," said Mr. Jim Francos, presid... of the Arena Company, ... learned his business at ... York's Madison Square Gar...

The tennis world has d... cended on Houston, repu... the fastest-growing city in ... U.S., for the Masters.

But the impact will hardly ... as great as the estimated ... that the Houston economy ... received during the ten-... existence of the giant Astrod... Stadium which I visited ... Saturday for one of th... mysterious American coll... football ... Miami.

TV/Radio

† Indicates programme in black and white

BBC 1

12.45 p.m. News. 1.00 Pebble Mill. 1.45 Chigley. 3.10 Anno Domini. 3.53 Regional News (except London). 3.55 Play School. 4.20 Deputy Dawg. 4.25 Jackanory. 4.40 Blue Peter. 5.05 John Craven's Newsround. 5.10 Three Gifts For Cinderella. 5.35 Ivor the Engine.
5.40 News.
5.55 Reporting England.
6.20 Nationwide including Pigeonhole.
6.50 Some Mothers Do 'Ave 'Em.
7.20 Angels.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Bananas," starring Woody Allen.
10.45 To-night.
11.25 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.20 Wales To-day. 6.50-7.20 Heddiw. 11.25 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 10.45-11.20 Public Account. 11.20 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 6.20-6.50 Land 'n' Larder. 11.25 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Nationwide (London); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Look East (Norwich); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

11.00 a.m. Play School.
3.00 p.m. The Caterers.
3.30 Politics Now.
7.00 News on 2 Headlines with sub-titles for the hard-of-hearing.
7.05 Knitting Fashion.
7.30 Newsday.
8.10 Max Bygraves Says "I Wanna Tell You A Story."
9.00 I, Claudius.
9.55 Horizon.
10.50 Poems and Pints.
11.20 Late News on 2.
11.30-11.35 Closedown: David Markham reads "Exposure," by Seamus Heaney.

LONDON

9.30 a.m. Felix The Cat. 9.45 Adventures In Rainbow Country. 10.10 Primitive Man. 11.00 Born Free. 11.50 Cartoon Time. 12.00 Chorlton and the Wheelies. 12.10 p.m. Rainbow. 12.30 Musical Triangles. 1.00 News plus weather and FT index. 1.20 To-day's Post with Allan Hargreaves. 1.30 The Cedar Tree. 2.00 Good Afternoon. 2.30 Monday Matinee: "Wyoming Renegades." 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 Pauline's Quirkes. 5.15 Batman.
5.45 News.
6.00 To-day.
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 Yanks Go Home.
[illegible]

All ITV Regions as London except at the following times:—

ANGLIA
[illegible]

ATV MIDLANDS
[illegible]

BORDER
[illegible]

CHANNEL
[illegible]

GRAMPIAN
[illegible]

GRANADA
[illegible]

HTV
[illegible]

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 Report West.

SCOTTISH
[illegible]

SOUTHERN
[illegible]

TYNE TEES
[illegible]

ULSTER
[illegible]

WESTWARD
[illegible]

YORKSHIRE
[illegible]

RADIO 1
[illegible]

RADIO 2
[illegible]

RADIO 4
[illegible]

RADIO 3
[illegible]

[illegible]
[illegible]

BBC Radio London
[illegible]

London Broadcasting
[illegible]

Capital Radio
[illegible]

F.T. CROSSWORD PUZZLE No. 3,252

ACROSS

1 Sweet stuff to feed to a climber (11)
7 & 28 Frank is capable and performed (6)
9 A wound to the middle of the leg is keen (5)
10 Soaked or charged to the fullest extent possible (9)
11 Hang on like this for a ghastly finish (4, 5)
12 Two gases to employ in a home (5)
13 People dismounted outside for food (7)
15 An ache — one in the face (4)
18 Legal document from monarch in good humour (4)
20 Planted FBI agents inside section (7)
23 Touch your head when it's convenient (5)
24 Mouthpiece for a wheelwright? (9)
26 Musical performance is in G and is likely to be good (9)
27 Rascal from southern military station (5)
28 See 7 across
29 Drive crazy going round mountains and create disorder (11)

DOWN

1 Hats, could be on top of mine (8)
2 Cause of pain making unit rise (8)
3 Relinquish the produce (5)
4 Bounder gets increase before beginning (7)
5 Vessel at college for 7 down (7)
6 Mortal has to hide fish (9)
7 Feline's out of bed for 5 (6)
8 One who drops off socialist fellow coming up (6)
14 Cockerel in orbit? (5, 4)
16 Saturate with wave, take in and start evaporating (8)
17 Stay as you are and tolerate an Irishman (5, 3)
19 Trial that is right but more headstrong (7)
20 Japanese commander holds terrorist leader with a weapon (7)
21 Made a penny in the outhouse (6)
22 Infinite but never spoken about (6)
25 Use N.E. roundabout and follow (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

adler's Wells Theatre

Nema by CLEMENT CRISP

The second programme of the ndon Contemporary Dance eatre season begins in the best ssible style with Siobhan vies' *Pilot*. It is a ballet I tch with constant delight at ch viewing. Its components deceptively simple: a group dancers, some suitcases, a rm lantern, and Mr. Igg lthy playing the harmonica *the Jew's harp. The dancers* nce, move their luggage from corner of the stage to the ier, finally returning to Mr. lthy's music and the storm tern. And that is all. Or her, that is the excuse for ss Davies to devise a chain of vement, full of invention, full humour, rich in texture and y atmospheric.

Unlike some other works in the gramme, the dances make namic sense and they invite e performances: Anthony van ast in a solo that bends and etches and has a cool wit; nda Gibbs and Patrick rding-Irmer in a joyful duet; d Miss Davies herself, partred by Namron, in what I now nk of as the "I'm so tired" nes. It is a short, admirably nomical and complete work of

The Bronze which follows is a et by Namron about a muscu- chap (the choreographer) d a girl in an orange bathing dress (Celia Hulton) who involve themselves publicly in what I would rather they kept private. The novelty of the evening is Micha Bergese's *Nema*, a heavily expressionistic piece having to do with the past, present and future of a central male figure. "Nema" is Greek for "the thread of a man's life," so says the programme note, and Mr. Bergese's theme seems to concern the shadows cast by the past. It is intellectually well-intentioned, and relentlessly meaningful, but — apart from evocative sets and lighting (Bettina Bergese and David Hersey) — it left me puzzled, and in no way gripped by choreography more earnest than illuminating.

Robert Cohan's *Place of Change* completes the programme: it is sustained by intensity of its score — the Schoenberg quartet, excellently done by the Chilingirian quartet and Marylin Minns as soprano soloist—and the dedication of the company performance. It argues a journey through disquiet and suffering to a peaceful acceptance of life, and Cohan's choreography is given a powerful interpretation by its cast, notably by Linda Gibbs and Patrick Harding-Irmer, exceptional artists both.

izabeth Hall

Joaquin Achucarro

by DOMINIC GILL

One of the better things which n be said about Joaquin hucarro's recital on Thursday ening is that it was transrently, radiantly well-meaning. present in public an all- opin programme which inudes the two sonatas op. 35 d op. 58, as well as the F inor Ballade and the C sharp inor Scherzo, is both to proaim a special affinity with the mposer, and also implicitly to ake certain rather important aims as a Chopin interpreter. hucarro's forthright, chunky rformances bore all the marks the greatest concern and dication, and by that light one they made a worthy imession of a kind; but they ere never eloquent; they uffed and they puffed—and ice or twice they even ittered: *but they never* ared.

It was this very earthbound uality of the playing which ade it most difficult to accept as any sort of Chopin paradigm. The B flat minor sonata op. 35 was quite clearly intended to emerge from Achucarro's fingers big and bold: but what did emerge (the evident gap between intention and execution made the reading still more poignantly uncomfortable) was only brash and brittle—a flat landscape set out in two tones *only, piano and forte*, monochrome in effect, without dramatic depth, or inner fire.

The sound-quality of the playing was a singular drawback: an awkward, thrusting timbre, sustained for page after page by unvaried, sharp-edged top-noting, even where the inner voices counted most. No haunted whirlwind of a B flat minor finale, but a fizzle of notes, mainly *mezzo-forte*. The sound-canvases of the Scherzo, the Ballade, and the sonata op. 58 were all of them similarly flat, unnuanced: a great deal of impressive effort to small expressive result.

lew Vic, Bristol

Which Way are you Facing?

Nine actors in black-and-white it move about a stage, or ather four stages, furbished in lack-and-white designs, and play ames about social welfare.

They draw our attention to mparative unfairness in our ducation system. They illustrate he ease with which a rich mbezzler can get bail and a oor squatter be refused. They ontrast the cases of an unknown ish bomber on a London bus nd a French anarchist bomber the Gare Saint-Lazare, drawg in the Palestine Liberation rganisation for extra force.

They simulate an evening ith the Samaritans, dealing as ey can with the lonely, the ck and the kinky. They instigate the mechanics of comunes, and show an evangelist orcising the Devil of apitalism. All this is done in e style of drama school exerses, with only a minimum of ops.

This demonstration is the work John Bowen, and he has left open-ended. "No answer" is s final line. On the other hand ere is no doubt which way he mself is facing: he *is* for mocracy and compassion and qual shares for all, and the urts and the schools and the ity are the root causes of all ir loneliness and depression.

He doesn't, as a matter of fact, present his case against authority very fairly. If anything good has ever been done by the law or big business or wealthy private people—some of them even with two homes—he says nothing of it. There are some strange arguments presented too—none stranger than the proposition that innocence in one person implies guilt in another. No doubt these are deliberately put in for us to *shoot down*.

It is brightly played under the direction of Nikolas Simmonds, and some good lines pop up now and then, like the evangelist's promise of "green pastures and a balanced ecology." But the argument all seems to me on the level of a students' common-room where the first outbreaks of social consciousness are beginning to show like staphylococcus pyogenes. Playwrights with something to teach the public must put dramatic jam round their pills, not throw them at us like pebbles. The audience about me seemed wholly composed of school mistresses: but when audience participation was invited at the end, no one had anything to say. They had not been moved.

B. A. YOUNG

Arts news in brief

The Naked Civil Servant, hames Television's adaptation Quentin Crisp's autobioaphy, has won an Emmy award New York, in the "Fiction d entertainment" category. ie programme, written by hilip Mackie and directed by ck Gold, has previously won e Prix Italia for drama, a est actor" award for John irt from the British Academy Film and Television Arts, and e Desmond Davies award for e director.

*

Scottish Opera has announced donation to the company by the usicians' Union of £2,000. The oney is to be used to finance investigation into the setting p of a new large-scale suprters' club, with particular nphasis on canvassing the pport of individual unions rough the STUC.

*

Saint George and the Dragon Gustave Moreau (1826-98) has been purchased by the National Gallery from Arthur Tooth and Sons of London, for an undisclosed sum. It is the first oil by this French artist to enter a British public collection, and was painted late in his career. It is on public display in Room 40.

*

The New Playwrights Directory is a Who's Who of British playwrights working in the "alternative" theatre, with addresses, telephone numbers and details of agent and a list of work written, performed and/or published. It also includes an article on the Theatre Writers' Group (now the Theatre Writers' Union) and information about the Scottish Society of Playwrights and the Northern Playwrights Group. It costs £1.50, from TQ Publications, School of English and American Studies, University of East Anglia.

Nyon Film Festival

Documentaries ancient and modern

by RONALD HOLLOWAY

As a film festival, Nyon's sole attraction is the pure documentary. This sleepy town a few miles up the shore from Geneva has other attributes as a lovely Swiss tourist centre, to be sure, but since the demise of the Florence Dei Populi Festival a few years ago, this is the only place on the Continent where the documentary buff can feel completely at home. As a documentary film-maker himself Moritz de Hadeln began the *autumn event on a shoestring* by making personal phone calls to such luminaries as John Grierson and Joris Ivens; now eight years later, he is also director of the Locarno International Film Festival and can scout the documentary for Nyon with greater freedom in on-the-spot screenings (80 films in a New York hotel room). He and his wife, Erika, make their selections on current thematic trends —"Spain, Yesterday and Today," "Women," "Technological Society," "Third World"— and thus provide the needed perspective into 60 films of varying lengths.

Further perspective *is* provided by a retro of historical documentaries. This year, Canada's "direct cinema" got the nod, and such classics as Allan King's *Warrendale* and Michel Brault and Gilles Groulx's wickedly amusing *Les Raquetteurs* (marking the beginning of the movement) help to signal just where the main stream of documentary stands these days. Equally enlightening were discussions with the names, past and present, in the field: Edgar Anstey, whose *Housing Problems* for a Grierson unit pioneered "direct cinema" 40 years ago in Great Britain, Poland's Jerzy Bossak, East Germany's Karl Gass, Switzerland's Henry Brandt, and France's Jacqueline Meppiel. They often ran long into the night.

On the contemporary level, the documentary with the most sting was Per Mannstaedt's *No More Nuclear Plants* (Denmark), offering solid, instructional evidence why citizens' groups in the industrialised countries are actively demonstrating against a plethora of nuclear centres without proper reflection on the consequences of such action. The film is made in the best tradition of the public trust tv documentary, and won the Grand Prix.

One of the most talked-about documentaries of the year, Emile de Antonio's *Underground* (U.S.), an interview report with the radical Weatherman faction of the SDS (Students for a Democratic Society) movement of the 1960s, begins to fall apart as *soon as the fugitive leaders run* on at length about their political beliefs and hopes for the future. The power of the archive footage as they talk about the turbulent 1960s, however, still has a mesmerising effect, albeit with a tinge of disappointment that the student movement produced so many glib talkers but so few talented writers (perhaps the curse of the media-generation).

Other archive portraits were outstanding. A favourite was Julia Reichert and Jim Klein's *Union Maids* (U.S.), an historical review of union activities in Chicago through the experiences of three women organisers in the Depression Years; the old newsreels come to life in a skilfully edited stream-of-memory that never fails to accent the high points with piercing emotional passion. Two National Film Board of Canada archive compilations, Jeanette Lerman's *Enemy Alien* and Albert Kish's *Los Canadienses*, worked a similar magic in reviewing the tragic war years with both reserve and compassionate insight; the first documents the fate of 23,000 Japanese-Canadians who lost their citizenship and their homes and possessions under the hastily applied War Measures Act, and the second traces the destiny of 40,000 Canadian volunteers in the Mackenzie-Papineau battalion who fought and died on the Republican side during the Spanish Civil War. History—written with a camera and, for the most part, by anonymous cameramen risking their lives for a moment of truth.

Reportage on human misery, an American TV glimpse at the still unsolved plight of the migrant worker (Robert Thurber's *A Day Without Sunshine) and a Japanese exposé of* living conditions among Yokohama dock workers (*Chants de la Bête Humaine*, by a four-man "direct cinema" team), is reason enough to support the cause of the pure documentary at any film festival, all the more in these cases because they etch unforgettable images on the conscience and serve humanity in clear, forthright terms. But I was struck more by the breath and vision in Donald Britain's investigation into the life and death of Malcolm Lowry, *Volcano*, a feature-documentary for Canada's NFB that interprets with feeling and understanding a complex literary *persona*. Already the subject of 147 dissertation theses, this inquiry cuts through much of the hokum in the legend to reveal the man and the inspiration for *Under the Volcano*.

Book review

Sweet Bird of Middle-Age

by B. A. YOUNG

Memoirs. Tennessee Williams. W. H. Allen, £4.95. 264 pages

Tennessee Williams writes as if reclining on a deep sofa, a glass of whisky at hand, a microphone absorbing his thoughts as they drift languidly from beneath his now greying moustache. Art is to conceal art: for all its casual look, his autobiography discloses a complete and colourful picture of the author, and if the character it reveals is not wholly admirable, I am sure that Mr. Williams hardly cares whether we think him admirable or not, having little regret in his life for anything that he has not specifically labelled regrettable.

It may seem odd to begin with comment on Mr. Williams's character rather than on his work, but the *Memoirs* call for this. They are wholly personal and almost embarrassingly frank, though he is considerate enough to conceal the names of some of his friends when he feels that they or their friends or relations may suffer. It has been common gossip for years that he is a homosexual of dionysiac activity, that he has had what we call a drink problem and a drug problem and a nervous breakdown problem. All these matters are recorded without reserve:

"One evening I was passing along Lexington Avenue when I encountered, leaning against a wall near a corner, a very young man with carrot-red hair and the sort of figure that every hustler should have but rarely does, now or then . . I took him straight home to the lovely apartment and it was a night when the nightingales sang."

The book is full of this kind of thing, presented without guilt and accorded almost as much attention as the production of a play. One begins to like Mr. Williams for his very inanity, as one admires James Boswell's talent for idiocy that he displays in his youthful diaries. It must sometimes have been hard for his friends. He was—is?— evidently awkward to have at parties, where his current companion had to be asked to come with him. Jack Warner, the film magnate, turned to one of such friends and asked, "What do *you* do, young man?" In "a loud, clear voice" the young man said, "I sleep with Mr. Williams." It was no friend but Mr. Williams himself who, introduced at the White House to André Malraux ("of whom I had never heard"), replied "Enchanté, M Maurois."

Of course there is a lot about the theatre, about casting, and touring and the hell of first nights, and the charm of actors and actresses, all that kind of thing, but nothing didactic. He sums it up in a short paragraph:

"Well, now, about plays, what about them? Plays are written and then, if they are lucky, they get performed, and if their luck still holds, which is not too frequently the case, their performance is so successful that both audience and critics at the first *night are aware that they are* being offered a dramatic work which is both honest and entertaining and also somehow capable of engaging their aesthetic appreciation."

That's about it. Plays, and travel, and boy-friends, and parties, and family troubles, all ripple gently over the surface of the narrative, which is only approximately chronological, thoughts or anecdotes being inserted when Mr. Williams thinks of them. When you know Mr. Williams as well as you seem to when you come to the end of his book, you understand why his plays are full of strange characters. They would not seem strange to him.

Wigmore Hall

Melos Ensemble

by RONALD CRICHTON

Sir Lennox Berkeley's Quintet for piano, oboe, clarinet, horn and bassoon, written last winter for the Chamber Music Society of the Lincoln Center, New York, was introduced to our side of the Atlantic on Saturday evening by the Melos Ensemble. The combination of instruments is the one Mozart used with supreme skill in his K452. There can't be many composers to-day capable of writing a classically-minded work that could be heard (if need be) in the same programme as Mozart without seeming egregious. Berkeley's experience, technical skill, and discreet use of tonality to say something personal and worth hearing without either raising his voice or falling back on tired cliche, is once again in evidence.

The four movements are classical in scheme as well as style: an allegro that returns to the material of the slow introduction, a fast scherzo, a short intermezzo (rather Brahmsian in temper) a finale with variations on a pleasing tune in A major, rounded off by a short flourish of a coda. The often contrapuntal *writing for the* wind allows the four instruments their individuality while blending them smoothly. The piano part, tactfully transparent, has more colour (as Howard Shelley was able to show) than the printed page suggests. The scherzo, with cunning use of pedal notes, is particularly happy. Now, please, a recording.

As it happened, Mozart's masterpiece was not included in this programme, which opened sadly but fittingly with a spoken tribute to Britten by the violist of the ensemble, Cecil Aronowitz, and a musical one in the form of the fine *Lachrymae* (Reflections on a Song of John Dowland) for viola and piano. Mr. Aronowitz told us that the composer had completed a version for solo instruments and string orchestra, to be heard at Aldeburgh next summer. After the *Lachrymae*, the well-oiled garrulity of Spohr's Nonet could hardly help sounding out of place. Janacek's Concertino, on the other hand, full of suggestions of earthy things like sap, gnarled roots and animal noises, was curiously and consolingly appropriate.

New riches for the National

Paul Scofield will return to the National Theatre next year in a new production of Jonson's *Volpone*, directed by Peter Hall and in Harley Granville Barker's *The Madras House*, under William Gaskill. *Volpone* will open in the Olivier in the spring, *The Madras House* soon after.

John Gielgud and Ralph Richardson will return to the Lyttelton in Pinter's *No Man's Land* in January for a short season. When that play ends in late February, Sir John will stay with the company to play Caesar in *Julius Caesar* at the Olivier. John Schlesinger will direct.

Two new plays to be produced in the early part of next year have both been commissioned. *Bedroom Farce* by Alan Ayckbourn, to be co-produced by the author and Peter Hall, and *Lenin's Testament* by Robert Bolt, to be directed by Christopher Morahan. Both these are for the Lyttelton.

Benjamin Britten

Benjamin Britten died in the early hours of Saturday morning at his home in Aldeburgh. He had been in bad health since a heart operation three years ago. He was made a Companion of Honour in 1953, was awarded the Order of Merit in 1965, and was created a life peer in the Birthday Honours this year.

As composer and executant Benjamin Britten was the outstanding British musician of the post-war years, a live wire intensely English by origin and upbringing yet accepted abroad as few British musicians have been. He balanced the best qualities of amateur music-making with the rigorously pro*fessional qualities that some*times elude it. He invented enthralling music for children and young performers. He also wrote with full understanding for some of the finest professional artists of the day—Kathleen Ferrier, Dennis Brain, Rostropovich, Fischer-Dieskau, and most of all his close friend, the tenor Peter Pears — colleague, collaborator, interpreter of unequalled insight. He carried on the English vocal and choral tradition with a series of fine song-cycles (setting words by foreign as well as English poets). He was in the line of the Tudor composers, Purcell and Holst. From his immediate seniors he took the idea of the anthology cantata based on texts from a number of sources and applied it to works for solo voice and orchestra, for example the *Serenade* and *Nocturne*. He had a particularly happy run of small choral works (among them *Hymn to St. Cecilia, A Ceremony of Carols, Rejoice in the Lamb*) during the war years, after he had returned to Britain from USA. The various strands in his vocal music were combined in the *War Requiem* written in 1962 for Coventry Cathedral, which summed up the composer's beliefs as it summed up the music he had written up to that point.

Britten's most remarkable achievement, however, was to put British opera on the map. It has been there before, even in the 19th century (has Britten so much exceeded Balfe's total of foreign performances?), but Britten's operas stand greater chance of survival than their predecessors, and have already borne fruit in the number of operas by other British composers and in the many British opera singers, eagerly sought after abroad, who must rate Britten's operas high among the things that have given them their opportunity.

His operatic career virtually began with the production of *Peter Grimes* at Sadler's Wells in 1945. The immediate successors to *Grimes* were the chamber operas written for the English Opera Group of which Britten was one of the founders—*The Rape of Lucretia*, *Albert Herring*, and a version of *The Beggar's Opera*. Two more large-scale operas, *Gloriana* and *Billy Budd*, both written for Covent Garden, followed in due course. *A Midsummer Night's Dream*, conceived as a chamber-opera, is at home in large theatres as well.

For the English Opera Group also he wrote two more works of great distinction, *The Turn of the Screw* and *Death in*

Lord Britten

Venice, and for them he channelled chamber opera in a new direction with the three "parables for church performance"—*Curlew River, The Burning Fiery Furnace, The Prodigal Son*. To these must be added *Owen Wingrave*, written for television but later staged at Covent Garden. Three things may quickly be said about his operas. Britten has shown a dramatic gift unequalled by any British composer since Purcell. His literary sources, which include Crabbe, Maupassant, Strachey, Melville, Shakespeare, James, Mann and the Bible, are eclectic but distinguished. His subjects show a recurring concern with individual suffering.

His life, which until his illness was one of multiple musical activity, can be simply outlined. He was born at Lowestoft, Suffolk, on November 22, 1913 (St. Cecilia's Day). He studied at the Royal College of Music in London but learnt more from private tuition with the composer Frank Bridge. His early experience writing music for documentary films and stage plays brought him into contact with the poet Auden, who no doubt developed his sensitivity to words. In 1939 Britten crossed the Atlantic and lived for some time in New York.

Three years later he returned, the decision to do so apparently fired by the chance reading of an article by E. M. Forster on Crabbe. It was on Crabbe's part of the East Anglian coast, near to his own birthplace, that Britten settled. To this region he remained faithfully attached although his engagements as conductor and pianist took him far across the world. It was in Aldeburgh from 1948 that Britten, with the help of Peter Pears, Eric Crozier and Holst's daughter, Imogen, built up a unique Festival. Here he could be heard conducting or playing the piano in local churches or in the Maltings, the simple but superb concert-hall adapted from a 19th century building by the river at Snape. The Festival, largely but not exclusively centred on Britten is one of his most valuable creations, an event which unlike many of its kind has a reason for existence, a flavour and identity of its own.

Britten was a marvellous accompanist, a great interpreter of Schubert, a conductor of tense, wiry vitality whose range extended from Purcell through Mozart to Chaikovsky and Mahler. He belonged as a composer not to the great originals or innovators, the Schoenbergs or Stravinskys who change the course of music, but to the equally rare class (Britten's friend Shostakovich was another outstanding example) who can handle the language they receive from others in a fresh personal manner and find new ways of using it. In appearance, with his spare, energetic frame, his slight stoop and lined, tanned face that looked as if he had been out in a North Sea gale, Britten was in harmony with his chosen surroundings. Among many foreign distinctions, he received the Hanseatic Goethe Prize in 1961 and the Aspen Award (Colorado) in 1964. In this latter year, at home, he was awarded the Royal Philharmonic Society's Gold Medal.

R.C.

The Entertainment Guide is on Page 38

COMPANY NOTICES

BRAZIL FUND S.A.—
SOCIEDADE DE INVESTIMENTO—
D.L. 1401
ORDINARY GENERAL MEETING ANNOUNCEMENT

NOTICE IS HEREBY GIVEN to the holders of Bearer Depositary Receipts ("BDRs") issued by European Overseas Issuing Corporation in respect of shares of Cr.1.00 par value of the Brazil Fund S.A.

That an Ordinary General Meeting of the latter Company will be held on 20th December 1976 at 11 o'clock, in the firm's headquarters at Rua do Ouvidor No. 75 4th Floor, Rio de Janeiro, for the purpose of taking note of and discussing the following Agenda: [illegible]

REPUBLIC OF FINLAND

Foreign 7¼% US$12,000,000 Loan 1967-1977

Banque Lambert-Luxembourg S.A. hereby informs the bondholders that the above mentioned bonds will mature on 15th January 1977 and that the bonds still in circulation will be repayable at par as from 15th January 1977 at the counters of the financial establishments listed hereunder who will also redeem the coupon falling due on 15th January 1977: [illegible]

BRAZIL FUND S.A.—
SOCIEDADE DE INVESTIMENTO—
D.L. 1401
EXTRAORDINARY GENERAL MEETING ANNOUNCEMENT

NOTICE IS HEREBY GIVEN to the holders of Bearer Depositary Receipts ("BDRs") issued by European Overseas Issuing Corporation in respect of shares of Cr.$1.00 par value of the Brazil Fund S.A.

That an Extraordinary General Meeting of the latter Company will be held on 20th December 1976 at 12 o'clock in the firm's headquarters at Rua do Ouvidor No. 75, 4th Floor, Rio de Janeiro, for [illegible]

TENDERS FOR GREATER LONDON BILLS

[illegible]

THE ISRAEL ELECTRIC CORPORATION LTD.

[illegible]

CREDIT LYONNAIS-LUXEMBOURG

CLUBS

[illegible]

LEGAL NOTICES

No. 004013 of 1976

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of BAMFORD PUBLISHERS LIMITED and in the Matter of The Companies Acts, 1948 to 1967

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 1st day of December 1976, presented to the said Court by the Secretary of State for Trade of 1, Victoria Street, London, S.W.1. and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 17th day of January, 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the [illegible]

[illegible]

OVERSEAS NEWS

Smith returning to talks in uncompromising mood

BY MICHAEL HOLMAN

SALISBURY, Dec. 5.

THE ARRIVAL this week in Geneva of Mr. Ian Smith, the Rhodesian Prime Minister, after nearly a month's absence, is likely to bring the Rhodesian conference to a head.

The Rhodesian Government's claim that the settlement proposals put forward by Dr. Henry Kissinger, the outgoing U.S. Secretary of State, represented a take-it-or-leave-it contract will be put to the test during the forthcoming conference sessions to discus the form an interim administration should take.

Public statements by Mr. Smith and his ministers have left no room for manoeuvre on proposals which have been rejected by the four nationalist leaders in Geneva, and it is thought that if this is to be the issue on which the conference collapses, Mr. Smith wishes to be there.

The Rhodesian Premier's bitter attack on the British chairman of the conference, Mr. Ivor Richard, accusing him of "perpetuating his complete disregard for the interests of white Rhodesians," suggests he is in no mood for compromise.

In addition, Mr. Smith claimed that a large number of black Rhodesians had expressed concern at the "irresponsible stand which has been taken by the extreme black politicians at the conference."

"Accordingly," Mr. Smith continued, "I have decided to investigate the situation at first hand in order that Rhodesians, both white and black, will know exactly where they stand."

Mr. Smith's oft-vented frustration only reflects the mood of many whites.

Such tests of black opinion that take place indicate an overwhelming demand for adult franchise, hostility to the prospect of Mr. Smith becoming chairman of any interim body, and support for the establishment of a new administration well within the 23-25 months proposed by the Rhodesian Government.

The enthusiastic welcome African National Council Vice-President, Dr. Elliott Gabellah received in Salisbury to-day on his return from Geveva illustrated this. A crowd of over 50,000 supporters gathered in the African township of Highfield, where Dr. Gabellah delivered a message from ANC President Bishop Abel Muzorewa. It repeated the ANC demand for a one-man-one vote referendum to elect the First Minister of an interim government.

David Egli in Geneva reports: The announcement over the week-end of the appointment of Mr. Cyrus Vance to replace Dr. Henry Kissinger as American Secretary of State may have reinforced the belief in the Ian Smith delegation that it was high time formally to present the Kissinger proposals.

A clash with the nationalists at this stage would seem inevitable although Mr. Richard may manage to keep the conference going despite Mr. Smith's warning that it will founder unless there is greater accommodation of his views from now on.

Assad for talks with Hussein

By Robert Graham

DAMASCUS, Dec. 5.

PRESIDENT HAFEZ AL ASSAD leaves to-morrow for Amman for a two-day visit on the first leg of a journey aimed at working out a co-ordinated Arab policy towards approaches to a political solution of the Middle East conflict.

Technically, his talks with King Hussein of Jordan fall within the framework of the consultative procedures established earlier this year, but their scope is expected to be much wider than hitherto. Having already held discussions here with Mr. Yassir Arafat, chairman of the Palestine Liberation Organisation, President Assad will proceed onwards to Cairo to meet President Anwar Sadat of Egypt.

On a bilateral level the consultations with King Hussein may be regarded as another step towards the formation of some kind of federation between Syria and Jordan, to which both leaders appear committed.

As part of its regional strategy, however, Syria appears to be anxious to create a wider entity including Lebanon and a Palestinian entity established on territory evacuated by Israel as part of a settlement.

Immediately President Assad and King Hussein need to work out a common attitude towards the Palestinians. If the Geneva Conference is to be reconvened, then these two states, with as many as 1.5m. Palestinians inside their territory, feel that they should have a say not only about Palestinian representation but also the shape of a Palestinian entity.

Both leaders have indicated their desire to see a change of leadership in the guerilla movement and in the chief Palestinian representative body — the Palestine National Council.

The head of the Syrian-sponsored guerilla movement Saiqa, Mr. Zuhair Mohsen, said to-day in the Beirut weekly Monday Morning that "the Palestinian masses were pressing for a revision of the Palestine National Council set-up." What Syria and Jordan are reported to want is a bigger civilian representation. King Hussein, in particular, would like to see more West Bank members loyal to the Hasemite Monarchy. In other words, the two leaders are seeking a more "moderate" Palestinian parliament and leadership.

FDP-CDU coalition in Saxony

WEST Germany's small Free Democratic Party yesterday agreed to join the Christian Democrats to form a coalition government in Lower Saxony, abandoning the Social Democratic Party, its Federal Government partner, Reuter reports from Bonn.

The FDP also agreed to open talks on a similar alliance in Saarland, a further state, raising the possibility of a new West German political alignment.

Since 1969, the FDP has been the junior partner in a federal coalition headed by Chancellor Helmut Schmidt's Social Democratic Party (SPD).

The Conservative Christian Democrats (CDU) have run a minority government in Lower Saxony since state leader Ernst Albrecht was elected Prime Minister in February. The FDP are expected to ratify the FDP-CDU alliance at their party congress next week-end.

Moscow demo

A HUMAN rights demonstration led by dissident physicist Andrei Sakharov degenerated into a melee yesterday when the scientist was pelted with snow and police moved in to halt the protest, UPI reports from Moscow.

"This hooligan act was staged by KGB agents. It is a provocation against the people who came here legally to support the cause of human rights," the Nobel Peace Prize laureate said after the demonstration.

Salt II 'soon'

President-Elect Jimmy Carter said yesterday that he hopes to conclude a strategic arms accord soon after his January 20 inauguration, UPI reports from Washington. One possibility was that he will seek a separate settlement of the issues of Soviet "backfire" bombers and U.S. cruise missiles that have hampered agreement in talks conducted by Secretary of State Henry Kissinger. The President-elect said he might sign an "interim" agreement, to be called Salt II, then begin work on a more comprehensive accord which would become Salt III.

No 40-hour week

AN OVERWHELMING majority of the Swiss electorate this week-end rejected the introduction of a statutory 40-hour working week, which had been proposed by the left-wing political group "Progressive Organisations Switzerland ("POCH"). John Wicks writes from Zurich.

Nato decision

A Nato decision on whether to buy the Awacs airborne early warning aircraft must be made in the series of Nato ministerial meetings which start here to-day, David Buchan writes from Brussels.

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French printers to strike after police storm paper

BY OUR OWN CORRESPONDENT

PARIS, Dec. 5.

THE POWERFUL, Communist-led French printer's union has called for a nation-wide newspaper strike to-morrow following the expulsion by police this morning of striking printers from from the Parisien Libere newspaper, who have been occupying their premises for the past 20 months.

Though affecting mainly the newspaper industry the strike is expected to have wider repercussions since the main Left-wing trade unions have called for token industrial stoppages throughout the country, and are planning a big protest march in Paris. At the same time management and unions are to have talks at the Labour Ministry to try to solve the dispute.

About 100 policemen, using blow-lamps, forced the plant's main entrance this morning and then brought in bulldozers to sweep away the barricades which had been erected by the printers. Some of the strikers fled across the roof of the building and others were forcibly evicted.

Shortly afterwards, some 2,000 printers surrounded the building and burst into the offices of the newspaper, scattering thousands of old papers and files across the street outside. But they later dispersed without further incident.

The expulsion of the printers was ordered by the Prime Minister, M. Raymond Barre, following the confirmation last week of a Paris Appeals Court eviction order, originally made in June, 1975.

The long, drawn-out dispute began nearly two years ago, when the proprietor of the Parisien Libere, M. Emilien Amaury, decided to make some 400 printers redundant for economy reasons, and because he wanted to instal modern labour-saving machinery. When the workers started occupying the newspaper's plants, M. Amaury moved his printing works to the suburbs and produced the newspaper with printers who did not belong to the Syndicat du Livre, which is involved in the dispute.

Andreotti to stress need for loan in talks in U.S.

BY ANTHONY ROBINSON

ROME, Dec. 5.

ITALIAN Prime Minister Giulio Andreotti left Rome this morning for a three-day visit to Washington, where he is to have talks with members of both the outgoing and incoming administrations, including, it is expected, Vice-President-elect Mondale, as well as top officials of the IMF.

He is not expected to enter detailed negotiations with the IMF or other U.S. and international institutions, but is expected to underline in general political terms Italy's need for further loans to provide a back-up defence for the lira in the seasonally difficult winter and spring and ensure that the projected zero growth for Italy's economy in 1977 does not deteriorate into a recession which would damage the economic prospects of the West as a whole.

The details of such borrowings were discussed by foreign trade minister Rinaldo Ossola when he went to Washington last month, essentially to prepare the ground for the Prime Minister's visit. Negotiations have been continuing on and off since last January for a $530m. drawing under the Jamaica agreements and latterly a further drawing on the so-called super gold tranche bringing the hypothetical total up to $1bn.

A final decision, however, is not expected on these loans until Parliament ratifies the L.5,000bn. austerity programme approved in principle last month, and, until agreement has been reached in talks between unions and employers on ways of reducing inflation and raising productivity.

The Italian reserve position, meanwhile, has been strengthened in recent weeks both by the inflow of capital, estimated at around $1bn., stemming from legislation obliging Italian residents to repatriate foreign assets and through last week's Fiat-Libyan deal. The latter will add $415m. If the Bank of Italy accepts the foreign exchange risk involved in Fiat's offer to hand over the $104m. ten-year loan from Libya to the Foreign Exchange Office for immediate conversion into lira. The Central Bank is understood to be rather reluctant to do this, however. In this case, the reserves will benefit by $310m. involved in the share and bond part of the deal, whereas the loan will be used by International Holding Fiat of Zurich to directly finance Fiat's overseas operations.

Sig. Andreotti, in a recent interview with the American publication, Business Week, publicly acknowledged the value of the constructive attitude taken by the Communist Party since the elections and is expected to explain the complex political reality which lies behind the present Government. It is essentially a transitional government, but Sig. Andreotti is expected to underline that at present there is no viable alternative to it until the Socialist Party (PSI) can be persuaded to overcome its present reluctance to join a new Government coalition and that this too also requires delicate negotiations with the Communists.

As for the Libyan deal Fiat chairman, Giovanni Agnelli, has expressed the view that Libya has now been brought into closer contact with the West and acquired a vested interest in a more moderate position on the oil price question

Syria sees terror threat grow

By Ihsan Hijazi

BEIRUT, Dec. 5.

A POWERFUL explosion near the home of Mr. Kamal Jumblatt yesterday, which killed four persons and wounded 20 more has evoked fears that it may be the beginning of a terror campaign to undermine the peace formula for the Lebanon.

According to the well-informed daily An Nahar to-day, commanders of Syrian troops who form the bulk of the Arab League's "deterrent force" here, have been summoned to Damascus for high-level consultations. This followed the receipt of information about what the newspaper described as schemes to undertake subversive activity in Lebanon to discredit the Syrian role here.

Last month another prominent leader, Mr. Raymond Eddé, escaped an attempt on his life. Yesterday's explosion also came only a few days after the abortive attempt in Damascus to assassinate Syrian Vice-Premier and Foreign Minister, Mr. Abdel Halim Khaddam, Syrian Foreign Minister.

Speculation here links these incidents to the recent attacks against the Semiramis Hotel in Damascus and the Intercontinental Hotel in Amman. Terrorists reportedly trained in Iraq were blamed for both attacks.

Our Foreign Staff writes: A significant breakthrough has been made in solving the collection of heavy weapons from the Palestinian guerillas, according to UPI.

It quoted Palestinian sources in Beirut as saying that President Assad of Syria and Mr. Arafat had resolved the problem of heavy weapons at a meeting in Damascus on Friday.

Socialist congress opens in Madrid

BY ROGER MATTHEWS

MADRID, Dec. 5.

ANOTHER MILESTONE on the road towards democracy in Spain was passed this morning when the first congress of the main Socialist Party (PSOE) to be held in the country since the Civil War opened at a Madrid Hotel.

Well over 2,000 delegates, some of whom could remember when the party was one of Spain's largest packed into the congress hall or watched on closed circuit television as international socialist leaders pledged support for the ideals expressed by the party's slogan "Socialism is liberty."

The need for tight security around the hotel was emphasised when three bombs exploded early to-day, slightly damaging television relay installations in and around the capital.

In a 90-minute speech, the party's 34-year-old Secretary-General Sen. Felipe Gonzalez, stressed that Spain and Europe needed each other and that for Spaniards to achieve democracy the PSOE had to remain united and determined to remove the last remnants of dictatorship. But he also warned of the delicate moment through which Spain was passing, and said that the challenge of the future required discipline and respect for majority decisions.

Final Government approval for the congress was only given at the last moment, part of the regime's tactics of trying to force the PSOE to apply for legal registration.

Sen. Gonzalez, although referring to the "terror and corruption of the past 40 years," avoided any direct attack on the Prime Minister, Adolfo Suarez, whose constitutional reform proposals are due to be voted on in a national referendum on December 15. The Socialist Party leader is expected to be one of a 10-man opposition team that has been chosen to negotiate the form of democratic guarantees they require with the Government.

The most emotional moments of the opening session came in the warm reception given to Herr Willy Brandt, president of the International Socialists, Mr. Olof Palme, the former Swedish Premier, and the other international delegations. With clenched fists raised delegates shouted: "Pinochet murderer" as the Chilean socialist delegation stood up to receive one of the day's most enthusiastic cheers.

Herr Brandt, speaking in Spanish, told the party that Europe was waiting for Spain. He spoke of the hopes and expectations that had been aroused by the opening of a new chapter in Spain's political history. "The beginning of democracy in this country brings with it grave responsibilities, but you can count on our unshakeable support," he said.

Mr. Palme told the congress that after 40 years of "tyranny" it should be justly proud to be holding this conference "openly and with dignity." Spain, he said, to loud cheers, was liberating itself from the "demons of the past."

A British Labour Party delegation, led by Mr. Michael Foot, also received a noisy welcome, although there was not time during the morning session for a speech.

Much of the next three days of the congress will be taken up with closed door sessions where some outspoken speaking is expected on the behaviour of the party leadership to date and on future tactics. Throughout this morning it was clear that the most left-wing section of the PSOE will be trying to push the party into adopting a more radical stance.

A leading Soviet ideologist has equated the threat of a new world war with the threat of Fascism in the 1930s, and is calling on Europe's social democrats to respond to it by forming lasting partnerships with the Communists on the Soviet Union's terms, David Satter writes from Moscow.

Writing in the journal Kommunist, Mr. Boris Ponomarev, the Central Committee secretary in charge of relations with non-ruling Communist parties, criticised those socialists who adopt a hostile attitude toward Communism or who believe contacts with Communist parties can be used to "permeate some sections of the International Communist movement with the spirit of social democracy."

WORLD TRADE NEWS

DOING BUSINESS IN THE MIDDLE EAST

Finding the way to Saudi markets

BY ROD NEWMAN, JEDDAH CORRESPONDENT

In the first of an occasional series on major Middle East markets, Saudi Arabia's enormous buying capacity and the contrasting problems are outlined.

OF ALL the Middle East markets, it is Saudi Arabia which inevitably is the biggest magnet by virtue of its enormous oil revenues, its commitment to spend as much of its petrodollar income as possible, and the scale of its development plans. Just as the Kingdom's ports have been unable to cope with the volume of imports, so the hotels of the main cities have been bursting at the seams to accommodate all those clamouring for contracts. Obtaining a visa for Saudi Arabia can take a matter of months for some applicants at the best of times, and as an act of policy, the Government has periodically slowed down authorisations—but not sufficiently to stem the tide of U.S., West European and Japanese businessmen flowing into the country.

They are attracted, in the main, by the hope of participating in the Arab Kingdom's enormous development programme envisaged by the $140bn. second five-year plan (1975-80). This extraordinary programme is being financed mostly, of course, with the ever-increasing returns from oil. Oil revenues this fiscal year are expected to be more than $28bn., about 14 per cent. more than in 1975-76. Already Saudi Arabia's cash reserves are second only to those of West Germany.

High rate

The Second Development Plan (1975-76) is a formidable document. The English version, which was only printed in a very limited edition and is hard to come by, runs to nearly 600 pages. Bearing the distinctive imprint of the country's decisive Minister of Planning, Sheikh Hisham Nazer, and more indirectly Crown Prince Fahd, the document stresses the all-important Saudi goal of maintaining "a high rate of economic growth by developing economic resources, maximising earnings from oil over the long term, and conserving depletable resources." The theme is diversification of the Saudi Arabian economy, away from its dependence on oil with, Sheikh Nazer hopes, a private non-petroleum sector growth rate of up to nearly 15 per cent. a year by 1980.

Recognising that initial targets were surely over-ambitious, and taking account of a drastic shortage of skilled manpower as well as the over-loaded administration, the Government has revised its targets down from first projections. But public sector construction could still account for the $70bn. — or half of total appropriations — outlined in the original blueprint.

Even if the plan falls short of its far-reaching objectives, as some observers expect, and even though very substantial contracts currently are being awarded apace, the Saudis have no intention of forfeiting quality for speed of implementation (having to a degree learned the hard way in the past). Yet what remains is an immense market for contractors, consultants, traders and manufacturers. But the competition and the difficulties for those winning bids for projects and supplies are in proportion to the prizes.

While international competition is intense, conditions of work and contract terms are almost as daunting as anywhere else. Demand for goods and materials far outruns locally available supply — a problem that is compounded by the bottleneck of port congestion which so far has only been slightly alleviated. The shortage of labour becomes more accute and its cost higher by the day.

For over a year now, responsibility for finding and importing it has been placed on foreign contractors undertaking projects. In general, inflation has been running at about 35 per cent. on an annual basis this year. Meanwhile, climatic and geographical conditions are among the most trying in the world.

The sword of Damocles in all Saudi Government contracts is draconian penalties for failure to complete on schedule (some contractors have had their fingers burned simply because of bad luck with weather) but at least the Government is now consenting to inflation-index clauses in particular agreements under seal. It is obligatory for foreign contractors and consultants to lodge 5 per cent. performance bonds with local banks; it used to be 10 per cent.

Details of regulations for and liabilities inherent in these international contracts, as they apply to Saudi Arabia, can be obtained from the Department of Trade and Industry, the commercial section of the British Embassy in Jeddah, or the foreign banks. But a trade attaché at a Western embassy said: "So many arrive here ill-informed, or not informed at all." There are also a number of British-interest business consultancies in Jeddah and Riyadh.

In the private sector, the foreign investor must accept that sooner rather than later he will have to find a Saudi sponsor — and this is largely a matter of picking your man. The name that rolls off the tongue is Laing Wimpey Alireza, a joint venture between the U.K. construction giant and one of Jeddah's most respected merchant families which has won, among other valuable deals, important defence contracts.

Investment law in Saudi Arabia is a marriage of the Koran and traditional Sunna on the one hand (the best-known legalistic principle of which is that interest is banned as usury, while nominal "commission" may be charged) and modern royal decrees on the other, the latter being adapted to business requirements and much the more important in this respect. There is a variety of formal and semi-formal business arrangements, including variable-capital companies, but partnerships and unincorporated "joint ventures" are the most common between foreign entrepreneur and Saudi sponsor.

Incorporation involves a fairly complicated official administrative process but five-year tax holidays, real estate benefits, and other incentives are available where the Saudi has at least a 25 per cent. capital interest. The quasi-legal agency agreements may also enjoy considerable benefits, including tax holidays, depending on the equity of the Saudi sponsor. However, it is absolutely essential in all cases that both sides understand mutually what is meant by "profit" on which commission will be paid.

Forms of income and company taxes, plus a small religious tax, are levied and all imports except construction materials, and fodstuffs are taxed unless there is a special exemption. Foreign workers in Saudi Arabia are no longer liable to personal income tax.

The foreign businessman stepping off the plane in Jeddah, Riyadh or Dhahran (on the Gulf Coast) will join thousands of others like him competing for limited hotel accommodation. Such demand means that while tariffs are high, standards and service seldom are; double-booking is not uncommon.

The Kingdom has only two hotels classed as "five-star luxury" — the Inter-Continental in Riyadh and the al-Gosaibi in the Eastern Province — and Jeddah has three "four-star" rated hotels, the Alatas, Khandara Palace, and Jeddah Pa[lace]. A 600-room Sheraton is due to open there next year. T[ariffs] range from the equivalent of about £60 a night for the top hotels down to about £40 a night for the second best.

Communications have long been a sore point with foreign businessmen. International flights are booked solid at the end of the "very hot" season (July-October) and, of course, during the annual Haj religious pilgrimage, although recently three more international airlines opened routes to Saudi Arabia.

For international telephone calls, delays of several hours may have to be endured during the peak business hours of morning and early evening, but the Government has ambitious plans to relieve this particular problem. There is STD to Jeddah from London only, at present.

Saudi Arabia, guardian of the holy cities of Mecca and Medina (which only Muslims are allowed to enter) is the strictest of Islamic countries—alcohol, for instance, is absolutely banned and foreigners are expected to respect the religious and social customs. For the foreign businessman this might mean simply refraining from wearing shorts in public; but a Saudi might not necessarily thank you if, when invited into his home, you inquire after the health of his wife and children. However, the educated Saudi is unfailingly polite and exceptionally generous socially, and will genuinely appreciate your stumbling efforts at Arabic conversational courtesies.

Wider sphere

In a wider sphere, the foreigner in Saudi Arabia will hear anxious public debate about "outside influences." The country's largest-circulation Arabic daily newspaper, Okaz, recently accused American firms of "imperialist-Zionist sabotage" because they were allegedly "pursuing a policy of deliberate procrastination and evasion." Another Arabic daily, al-Medina, stated in a recent editorial: "Certain Western customs have been adopted in this country, the most dangerous of which is irresponsibility and carelessness."

It appears, then, that the foreign businessman must tread warily as well as bringing with him expertise and letters of credit, in search of a partnership with Saudi Arabia's phenomenal prosperity. It is something for him to think about as he sits in his lonely hotel room waiting for contacts to call.

Rise in U.K. exports to West Germany

BY ADRIAN DICKS

BONN, Dec. 4.

BRITISH exports to West Germany rose by a full 25 per cent. to a shade below DM6.2bn. (£1.55bn.) during the first nine months of 1976, compared to the same period a year earlier.

This performance brought little change in the U.K. share of total imports into Germany however, which stood at 3.8 per cent. compared to 3.7 per cent. a year earlier. In spite of this, imports into West Germany and West Berlin from the U.K. grew some 3.5 per cent. faster than total imports.

West German exports to Britain rose by 18.9 per cent. during the same period to DM8.88bn., and rose slightly from 4.6 to 4.8 per cent. of total exports, which themselves rose by 15.7 per cent. during the first nine months.

Trade officials here point uot that in spite of a still significant "crude deficit" on bilateral trade, the parallel growth in British "invisible" items will partly offset this. Last year these accounted for about 35 per cent. of the "crude deficit" of £724m.

In contrast to the surge in trade in both directions, the flow of new West German investment appeared to have slowed down markedly during the first half of this year. During the first six months of 1976 it amounted to only DM155m., compared to DM233m.

Libyan-Italian trade up

BY PAUL BETTS

PRESIDENT Khedaffi of Libya has invited the Italian Foreign Minister, Sig. Rinaldo Ossola, to pay an official two-day visit to Tripoli on December 18 and 19.

Coming shortly after last week's announcement that Libya is to inject $415m. into Fiat Spa, the visit, the first by an Italian Minister since Col. Khedaffi took power in 1969, is widely regarded here as further indication of the close commercial ties currently being forged between the two countries.

Although Libya under Col. Khedaffi has traditionally taken a distinctly aggressive line towards its former colonial master, relations between the two countries have been improving since the visit to Rome of Mr. Jallud, the Libyan Prime Minister, in February 1974.

At the end of that visit a statement was released to the effect that both countries were keen to improve "economic relations"—the importance of these relations can be gauged from the bilateral trade betwen the two countries.

Italy is Libya's main supplier of industrial equipment whereas Libya is one of Italy's major oil suppliers, exporting some 15m. tons annually. Figrues released recently show a significant increase in bilateral trade since 1973 when Italian imports from Libya totalled L.465bn. and exports L.274bn.

Float glass for Italy

ROME, Dec. 4.

TWO ITALIAN State holding companies and a private concern have announced that they had set up a new company to make float glass under licence from Pilkington Brothers of Great Britain.

The State companies, Ente Nazionale Idrocarburi and Efim, will hold a total 50 per cent. interest in Flovetro, while Fabbrica Pisana Spa. will hold the other 50 per cent.

World Economic Indicators

INDUSTRIAL PRODUCTION 1970=100

	Oct. '76	Sept. '76	Aug. '76	Oct. '75	% change on Year
Japan	125.4	125.5	126.0	112.4	+11.6
W. Germany	120.2*	113.3	97.9	109.0	+10.3
U.S.A.	130.4	131.0	131.3	116.7	+ 6.7
	Sept. '76	Aug. '76	July '76	Sept. '75	
U.K.	102.3	100.8	101.8	100.0	+ 2.3
Italy	136.6	71.8	131.4	120.7	+13.2
Holland	117.0	103.0	92.0	109.0	+ 7.3
	Sept. '76	July/ Aug. '76	June '76	Sept. '75	
France	128.0	124.0	122.0	111.0	+15.3
	Aug. '76	July '76	June '76	Aug. '75	
Belgium	108.1	75.5	123.4	99.9	+ 8.2

* Provisional Figure

Kuwait port management contract for Britain

BY JOHN WYLES, SHIPPING CORRESPONDENT

THE leading role being played by British companies in sorting out Middle East port congestion has been consolidated by the award of a management contract, covering a major part of the port of Kuwait, to the Mersey Docks and Harbour Company and the Scruttons Group of London.

The contract, giving responsibility for the eight berths used by the conference lines shipping into Kuwait, is an important boost for the efforts of these two long-established companies to market their port management expertise.

Gulf Port Management Services was formed by the two companies more than a year ago to take on the task of sorting out the Port of Dammam in Saudi Arabia. After nearly a year's work a team of 64 British managers have managed to bring waiting time for general cargo ships at Dammam down from 90 days to 13 days.

The problem at Kuwait is nothing like so acute as it was at Dammam but conference vessels are having to queue to unload for anything between [illegible] and 20 days. As the unloading delay has gradually lengthened the risk of the conference lines imposing a congestion surcharge has increased and bringing in the British companies is aimed at forestalling such a move.

Contract negotiations were handled by the Kuwait Shipping Company, on behalf of the country's Ministry of Communications. The two companies expect to have a team of 26 people in Kuwait by January 15 when the two-year contract starts.

Gray Mackenzie, a subsidiary of the Inchcape Group, is another British company active in the Middle East where it has a management contract for Jeddah—one of the most sorely congested ports in the area.

Contracts

● Far East Levingston, a Singapore Government-controlled shipyard, has won a £10m. order to build two crane barges for Northern Offshore of U.K. Both vessels will be delivered in October.

● Chemical and Thermal Engineering, a member of the Hunt and Moscrop Group, based in Wilmslow, Cheshire has been awarded a £4.7m. contract through Techmashimport, the Sovet State buying agency for the design, engineering, procurement and commissioning of DMF solvent recovery installations on two sites in the USSR and due for start up early in 1980.

● Poclain a major European specialist in public works equipment, has announced that it has been awarded a Fr.22.7m. contract by the Russian central buying agency Machinoimport for heavy-duty hydraulic excavators. The excavators are to be used by the City of Moscow authorities and for the construction of the 3,200-kilometer railway which will link Lake Baikal to the Amour River and which will join up with the trans-Siberian railway.

● The British - Dutch - West German gas centrifuge project for nuclear fuel production is negotiating with Brazil to supply its power plants with enriched uranium, the Dutch partners said in the Hague.

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Plessey welcomes experts report

By Christopher Lorenz, Electronics Correspondent

BRITAIN'S leading exporter of telephone exchange equipment, Plessey, gave a cautious welcome yesterday to a report commissioned by the National Economic Development Council.

The report calls for the Post Office, its suppliers, and the National Enterprise Board to set up a joint export consortium to market the next generation of telephone exchange technology.

"Plessey has in the past been worried about the lack of support for British [telecommunications] exports and therefore welcomes any proposals which may strengthen the British industry's position in world markets," the company said.

It is reserving its position on the detailed proposals of the report, which include reorganisation of Post Office-suppliers' arrangements for development of System X, the future all-electronic switching equipment, with the new consortium taking a leading role.

The author of the as yet unpublished report is Sir Raymond Brown, former head of the Defence Sales Department of the Ministry of Defence, who was asked by NEDC to investigate whether arms exporting techniques should be applied to equipment used by major nationalised industries.

Sceptical

The Post Office and its suppliers are likely to spend some time considering the report, which has far-reaching implications for organisation of the telecommunications industry, including the overseas consultancy business, where it questions the advisability of Britain having three separate organisations (one is the State-owned Cable and Wireless).

The row over the Post Office's handling of its plan to cut exchange equipment orders by a third in the next three years has made its suppliers sceptical about prospects of closer future co-operation between both sides.

Apart from the difficulity of persuading independent companies like GEC and Plessey to establish a unitary operation—even if only for export—participation of Standard Telephones and Cables in the consortium would be attacked from several quarters on the grounds that it is a 100 per cent. owned subsidiary of ITT, with whose Continental operations the consortium could be competing on export markets.

Oil workers want harder campaign against Nigg

BY KEVIN DONE, INDUSTRIAL STAFF

OIL REFINERY workers are putting pressure on officials of the Transport and General Workers' Union to step up the campaign against building a £200m. refinery at Nigg on the Cromarty Firth.

The project, planned for three years by Cromarty Petroleum, a subsidiary of National Bulk Carriers, the New York shipping group, cleared a major obstacle this week with the purchase of the final part of the intended site, 47 acres of foreshore giving access to the deep-water channel of the Firth.

The scheme is still opposed by an alliance of the big oil groups and the TGWU. They say that British refineries are working at only two-thirds capacity, and any increase in refinery capacity can only add further threats to jobs at existing refineries.

Mr. John Miller, the union's national secretary with responsibility for oil refineries, said that the latest land purchase had not altered the union's view. It wanted an early meeting with Mr. Anthony Wedgwood Benn, the Energy Secretary, to re-state its opposition.

The union awaits a reply from Mr. Benn to specific questions it raised at a meeting six weeks ago.

Its objections, released yesterday, include a call for planning permission to be revoked. It says: "The situation should be reviewed in two years' time.

"If there is then felt a need for an expansion of oil refinery capacity the British National Oil Corporation should be charged with the construction of a State-owned oil refinery."

The TGWU objects to Cromarty Petroleum, the subsidiary of a U.S. company, receiving a development grant of upwards of £47m. toward building costs if construction does go ahead. It says that the refinery, which would employ about 450 people in the long-term, could lead to redundancies elsewhere.

Heath may not vote against Government on devolution Bill

BY RICHARD EVANS, LOBBY EDITOR

MR. EDWARD HEATH will make it clear tonight that he fully retains his belief in a significant degree of devolution for Scotland despite the Shadow Cabinet decision to vote against the Government's Scotland and Wales Bill.

The former Conservative leader, in a speech at Glasgow University, is unlikely to declare his voting intentions for the four-day Second Reading debate on the Bill next week, but there are clear indications that he will not vote against it in accordance with the instructions of the party's three-line Whip.

He will either vote for the measure, on the grounds that although it contains many flaws it represents the best method available for containing nationalism and thus maintaining the unity of the U.K., or he will abstain.

The extent of a Tory revolt over devolution will depend partly on Mr. Heath's position and partly on the attitude taken by Mrs. Thatcher and the Opposition whips. The party leader is expected to provide further clarification this week of her off-the-cuff statement at the weekend that the devolution legislation could be treated as an issue of conscience.

Pro-devolution Front Bench MPs have taken her remarks to mean that they will be able to abstain without being forced to resign. If this is so, it will defuse a potentially very damaging party split while at the same time greatly increasing the number of MPs prepared to defy the three-line whip, the strongest party voting instruction.

The pro-devolutionists continue to believe that the Shadow Cabinet decision to oppose the Bill, taken after many hours of impassioned argument, was a grave technical error, as it could be taken in Scotland as opposition to devolution in principle, rather than a vote against the terms of the Government's Bill.

With only 16 of Scotland's 71 MPs and fewer votes than the Scottish National Party at the last General Election, the Tories run grave risks from an irreparable split in the party in Scotland. Nine of the Scots Tories are broadly sympathetic to the cause of devolution, although only six, led by Mr. Alick Buchanan-Smith, the Shadow Scottish Secretary, are considering abstaining, or voting for the Bill.

There is growing criticism among the pro-devolutionists of the attitude of Mr. William Whitelaw the Shadow Minister formerly with responsibility for devolution.

He was said to have been one of the hard-liners at last week's Shadow Cabinet meetings in favour of outright opposition to the Bill, while his successor as spokesman on devolution, Mr. Francis Pym argued forcefully for a reasoned amendment that would have attempted to explain the party's position.

Wilson accused of witch-hunt

FINANCIAL TIMES REPORTER

A LABOUR MP yesterday accused Sir Harold Wilson of "witch-hunting."

Sir Harold and Mr. Callaghan had been attacking the Left "all their political lives," said Mr. Martin Flannery, member for Sheffield Hillsborough.

The criticism came after Sir Harold spoke of infiltration by small and unrepresentative groups into the Labour Party trying to unseat Labour's respected MPs.

Mr. Flannery said: "The witch-hunting speeches of Sir Harold Wilson and the Prime Minister are not new." They are attempting to divert the movement away from the political reality that the IMF is dictating what the Labour Government should do and that the CIA has deeply infiltrated British political life.

"The Labour movement would do well to refuse to be diverted from the major political issues confronting the Government on to a sterile McCarthyite witch-hunt which will be applauded by every enemy of the Labour movement."

Sir Harold, speaking at Batley, Yorkshire, on Saturday, called for a change in party rules to deal with the "critical situation"—Bedsitter infiltrators were making takeover bids in respect of policy and personality.

"We are seeing increasingly the effects and ambitions of these people seeking to unseat respected MPs who have been endorsed first by their constituency general management committee and later, sometimes, by an overwhelming mandate from the electorate."

Serious cases

An MPs candidature should be withdrawn only by a vote by all members of the constituency party. The candidate should be chosen initially by the full constituency membership.

A joint committee should be established between the Parliamentary Labour Party and the National Executive which would have powers to investigate and to act in serious cases.

A case in point is that of Mr. Tom Torney, MP for Bradford South, who is under threat from Left-wing factions.

Mr. Torney said: "I welcome Sir Harold's warnings about infiltration. But words and warnings are not enough."

He called on the National Executive Committee to act on the report on Trotskyist infiltration.

Last night, Sir Harold was blamed for the swing to the Left in the Labour Party by Sir Herbert Redfearn, vice-chairman of the National Union of Conservative Parties, who said in Scarborough: "He knew and was warned many times, when Prime Minister, by George Brown, Dick Taverne, Ray Gunter, Christopher Mayhew and now Reg Prentice.

Sir Harold late yesterday denied that his words of "infiltrators" had been discussed in advance with the Prime Minister. "What I said was my decision alone," he said at Pinewood Studios, Buckinghamshire, where he helped at the launching of a new set.

Mr. Dennis Canavan, (West Stirlingshire) later said: "Harold Wilson has been partly responsible for seeing that the bastion of privileges, the House of Lords, has been infiltrated by right-wing reactionary extremists, some of them masquerading as members of the Labour Party.

Barclays adviser urges restraint

Financial Times Reporter

A POLICY OF more restraint in Government spending is needed to restore confidence in sterling, Professor Harold Rose, economic adviser to Barclays Bank, says to-day.

However, cutting public spending need not lead to a deeper economic recession, given the hoped-for world economic upturn next year, Professor Rose says in the bank Review. But recession would be inevitable next year if confidence in sterling were not restored.

Continued pressure on sterling, he maintains, will lead to a sharp rise in prices. This in turn, with an expected 10 per cent. target for the growth of money supply, would mean a sharp fall in the "real" quantity of money and intense strain on the company sector.

Professor Rose sees the fall in sterling as all the more significant for having happened "despite an undeniable improvement in at least some aspects of the British economy."

He comments: "Whether it was the unexpectedly sharp fall in the exchange rate which unsettled the gilt-edged market and therefore led to excessive monetary growth, or whether we should attribute the fall in sterling to the acceleration of growth in the money supply, is arguable.

"Similarly, there is legitimate room for disagreement as to whether the fall in the exchange rate was based on fears of a disintegration of the incomes policy or whether the latter could merely prove to be the result of the former.

Upturn

"Immediate disquiet in international circles about the drift of British economic policy centres on the size of the public sector deficit and the level of government spending. The former is regarded as being incompatible with economic stability and the latter with economic efficiency.

"If the main weight of any such measures fell on government spending the exchange rate should improve, more severe inflation would be averted and interest rates would decline.

"Without an improvement in the exchange rate, upwards pressure on prices, given monetary restriction, would cause the money supply to fall sharply in 'real' terms, and a recession would be unavoidable in 1978.

"If, as is profoundly to be hoped, the world economic upturn is resumed in 1977, a tighter expenditure policy and monetary restraint need not lead to actual recession.

"For there would be a possibility of considerable export growth and improving balance of payments, which together with a general revival of confidence, should help to sustain the economy."

Chemicals may depend on coal

By Rhys David, Chemicals Correspondent

COAL COULD be re-emerging as a leading raw material for the chemical industry in Britain and other countries by the end of the century, says Dr. Alfred Spinks, research director of ICI.

Dr. Spinks makes his forecast in a supplement to the magazine, Chemistry and Industry, published to mark the 50th anniversary of the foundation of ICI.

His remarks on coal's increasing importance gain support, from Sir Alan Cottrell, former chief scientific adviser to the Government, and Sir Derek Ezra, chairman of the National Coal Board.

Pointing out that coal is a bad chemical feedstock, Dr. Spinks suggests that, because of the likely rundown in oil reserves, scientists joining ICI could expect to see a major shift back to coal during their working lives.

"The processes available for using coal at the moment are not suited to competition with oil. Only if the coal is very cheap can they be run at all and that is not true in Britain." There should be increased research aimed at coming up with the technology that will make it possible to use coal.

High hopes for tractor exports

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THERE WAS no better country than the U.K. "in which to invest a dollar for return and long-term growth," Mr. J. C. Smith, managing director of the International Harvester Company, said yesterday at a preview of the Smithfield show.

His company was continuing to invest, and expected to employ more workers next year.

Productivity had risen by more than 6 per cent. over the past year.

In general, the tractor and implement manufacturers represented at the show at Earls Court are in optimistic mood. Exports — those of the main companies amount to about 70 per cent. of production — are booming, and there is a firm home market.

Total machinery exports increased by 26 per cent. for the first 10 months of the year in money terms and 15 per cent. in volume.

Farmers are offered a wide range of machinery of increasing sophistication, but at a cost which, once the essential re-equipment has been achieved, seems to need considerable justification.

The fatstock, the excuse for the show, illustrates the best of what the traditional breeder and butcher think their customers want, but in reality represents only a minority of consumer taste.

The beasts are still too fat. But they are well worth a study as the supreme result of application of the art of breeding and feeding.

Behind the glitter of the machines and the bloom of the stock there are anxieties. Consumption of red meat is falling fast, and the world picture is of surpluses in grains, sugar and some other crops

Closure delay considered by Courtaulds

By Rhys David, Textiles Correspondent

COURTAULDS has agreed to consider a request from Mr. Jack Jones, general secretary of the Transport and General Workers' Union that the closure should be deferred of the Castle Works at Flint, where 1,500 workers are due to lose their jobs in March.

Mr. Jones met Sir Arthur Knight chairman of Courtaulds last week to discuss the closure, which union officials have said could raise the level of unemployment in the town to more than 30 per cent.

The postponement proposal, will now be put by Sir Arthur to the Board for their comments. If granted it would be likely to extend employment only a matter of months, possibly to the end of June, taking workers through to a period when more job opportunities may be available.

The company, however, may be reluctant to agree to the request, partly because of the continued losses being incurred at Flint and partly because any deferment might lead to similar pressure from other plants scheduled for closure.

Industry management attacked

BY NICHOLAS LESLIE

A STRONG indictment of industry's performance in the management of manufacturing operations emerges in a study sponsored by the British Institute of Management, published to-day.

Industry is accused of poor delivery and bad monitoring of production against delivery dates. The report also says that there are unnecessarily long lead times on component production and a lack of management control over buying materials. In addition, computers are not used sufficiently and, when they are installed, are not used effectively.

A report on the study—Managing Manufacturing Operations—has been written by Mr. C. C. New, lecturer in production management at the London Business School.

The survey covers present practice in 186 plants—29 per cent. in mechanical industry, 16 per cent. electrical, 12 per cent. vehicles and aerospace, 15 per cent. chemical, 8 per cent. metal manufacturing and 5 per cent. in instruments.

One objective of the report was to investigate the similarities and the differences between plants in different industries whose operating characteristics were dissimilar.

The study also sought to establish a picture of the background of existing production managers in terms of educational experience, salary and status, and this confirmed a general view that the status of manufacturing management is relatively low.

The survey found that 25 per cent. of plants manufactured against firm orders and 10 per cent. only for stock.

Most manufacturers used the same equipment for both types of work, which was a bad practice because of the success for standard stock items with low-cost manufacture, but success with customers' orders was more likely to come with reliability of delivery.

To try to combine the two almost certainly resulted in "either poor cost performance on standard lines, poor delivery performance on customer orders, or, more likely, poor performance on both criteria."

Product innovation appeared to be at a low level, particularly in mechanical engineering companies. Even so, 40 per cent. of plants produced as many as 100 products, presenting a large variety.

This, it was felt, could be attributed to few products being deleted rather than to innovation.

Of "outstanding importance" was hard evidence on the relative importance of purchasing to the overall performance of cost against profit.

"In most plants the amount spent on purchased items is about three times that spent on direct labour, yet nothing like three times the management effort is directed towards purchasing efficiency."

A breakdown of factory costs in the average plant showed 51 per cent. relating to materials and bought-out items, overheads 31 per cent. and labour 18 per cent.

The average manufacturing lead time was eight weeks among companies surveyed, but most plants used less than one-third of this as actual processing time.

Thus, for more than 70 per cent. of the time, components were lying idle awaiting the next manufacturing operation.

In spite of large amounts of slack time on individual component orders, delivery performance across all industries was "appalling."

One in four plants delivered more orders late than early, and where a 90 per cent. target of delivery on time was aimed at: only 20 per cent. performed satisfactorily.

"Moreover, 40 per cent. of plants do not even attempt to monitor delivery performance formally."

On managers in manufacturing, more than half were over 40-year-old and had more than 10 years' experience in production management. Only 35 per cent. held a first degree and this was almost exclusively in engineering or a science subject.

Their median salary was £5,000 to £6,000 a year, with only 18 per cent. reporting salaries and benefits in excess of £8,000 a year.

Rewards appeared to be "considerably lower" than available elsewhere and senior managers in mechanical engineering were seen as "particularly discouraging," with more than 60 per cent. earning less than £6,000 a year.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
To-day	Royal Smithfield Show (clos. Dec. 10)	Earls Court
Dec. 7—10	Offshore International Exhibition and Conference	Nat. Exbn. Centre, B'ham
Dec. 7—10	Unit Load Show	Wembley Conf. Centre
Dec. 31—Jan. 9	Camping and Motor Caravan Exhibition	Olympia
Jan. 2—6	Cornish Gift Fair	Truro
Jan. 4—15	Model Engineer Exhibition	Wembley Conf. Centre
Jan. 5—15	London International Boat Show	Earls Court
Jan. 8—13	Harrogate International Toy Fair	Exbn. Hall, Harrogate
Jan. 8—15	Int. Racing and Sporting Motorcycle Show	Hortic. Halls, S.W.1
Jan. 10—14	Data Communications Equipment Exhibition	U.S. Trade Center, W.1

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Dakar International Fair (clos. Dec. 12)	Dakar
Current	International Woodworking Exhibition (cl. Dec. 12)	Brussels
Dec. 7—9	Canadian Construction Show	Toronto
Dec. 7—11	Industry and Urban Pollution Control Exbn.	Paris
Dec. 7—12	Video Exhibition	Geneva
Dec. 11—19	International Caravan Show	Amsterdam
Jan. 8—13	Int. Carpet, Floor & Wall Coverings Exbn.	Paris
Jan. 9—12	Saudi/U.K. Medical Seminar and Exhibition	Riyadh
Jan. 10—13	Int. Hotel, Cafe and Restaurant Exhibition	Amsterdam

BUSINESS AND MANAGEMENT CONFERENCES

Dec. 7	RIIA: Iran 1980-85. Dev. Problems and Challenges	Chatham House, S.W.1
Dec. 7	Staniland Hall: Five-year Business Forecasts	Carlton Tower, S.W.1
Dec. 7	ICMA: Inf. Accounting and Co. Reports	Midland Hotel, Birmingham
Dec. 7—8	Financial Times, Petroleum Times, Society for Underwater Technology, Institute of Petroleum, Ocean Energy: Oil in Deeper Waters	Birmingham Metropole
Dec. 7—9	Marketing Imp.: Managing People	Ulster House, N.W.1
Dec. 7—9	W. D. Scott: Manpower Planning	Swindon
Dec. 8—10	Inst. Chtr. Accts.: Capital Transfer Tax	Cambridge
Dec. 9	Inbucon: Salary Administration Seminar	Glasgow
Dec. 9	Br. Shippers': Carriage of Dangerous Goods by Sea	Cafe Royal, W.1
Dec. 9	IPS: Subsidence in Residential Property	Royal Lancaster Hotel, W.2
Dec. 10	Business Southwest: 1977—The Way Ahead	Torquay
Dec. 12—16	Urwick: Management in Research & Development	Slough
Dec. 12—17	BACIE: Producing Training Packages	Crest Motel, Beaconsfield
Dec. 13—14	Financial Times and Investors Chronicle: The Economic Outlook—1977	May Fair Theatre, W.1
Dec. 13—16	Inst. Careers Officers: Unemployed Youth	York University
Dec. 13—17	P-E Cons. Grp.: Purchasing & Inventory Man.	Training Centre, Egham
Dec. 13—17	Roffey Park: Management-Human Aspects	Horsham, Sussex
Dec. 13—17	Matchett: Prod. in Home and Export Markets	Leeds
Dec. 13—17	IPM: Employment Law	Park Court Hotel, W.2
Dec. 13—17	Harry Mitchell and Partners: Motivation	Beeston, Notts.
Dec. 14—15	PBIS: Procurement	London Press Centre, E.C.4
Dec. 14—17	Computer Power: Prog. for Data Base DL/1	Cannock, Staffs.
Dec. 15	ESC: Pricing & Getting Paid for your Exports	Tara Hotel, W.8
Dec. 15—16	Financial Times and Investors Chronicle: Inflation Accounting: The Proposed Standard	Royal Lancaster Hotel, W.2
Dec. 16	Henley Centre: Exchange Rate Movements to 1981	Carlton Tower, S.W.1
Dec. 16—17	LAMSAC: Computers and Environmental Health	Leicester
Dec. 20—22	Leicester Poly.: Computing and People '76	Leicester
Dec. 20	Man. Trng. Cons.: Successful Supervision	Richmond Hill Hotel
Dec. 20—21	BIM: Man. Accounting for Non-Fin. Managers	Parker Street, W.C.2
Jan. 5—6	G.K. Tutorial: Programmed Learning Seminar	Post House, W.2
Jan. 6	Interface: Practical Statistics for Gen. Man.	Post House, Reading
Jan. 10—11	InComTec: Export Documentation and Finance	Penta Hotel, S.W.7
Jan. 10—14	Bradford Univ.: Managing Management Devpt.	Heaton Mount, Bradford
Jan. 11	Fielden House: Inflation Accounting	Manchester
Jan. 11—14	Brunel: Procedures for Collective Bargaining	Uxbridge, Middlesex
Jan. 12	Henley: Forecasts for Corporate Plans to 1982	Carlton Tower Htl., S.W.1

This week in Parliament

TO-DAY—COMMONS: National Insurance Surcharge Bill (Second Reading). Commission document on quality of drinking water. Adjournment: Treatment of gas related compared to oil related expenditure. Committees: Expenditure Committee. Education, Arts and Home Office sub-committee on attainments of school leavers. Procedure (sessional) Committee. Public Bill procedure. Witness: Mr. Michael Foot. Expenditure Committee. General sub-committee on developments in civil service.

TO-MORROW—COMMONS: Aircraft and Shipbuilding Industries Bill. Committee. Suggested amendments and Third Reading. Adjournment: Liquid gas installation in urban areas.

LORDS: General Rate (Public Utilities) Bill (Second Reading). Town and Country Planning (Scotland) Bill (Second Reading). Fugitive offenders (U.K. Dependencies) Amendment Order. Regional Employment Premium Order. Compulsory Acquisition by Public Authorities Amendment (Scotland) Order. Fishing Vessels grants variation scheme. Debate on 48th report of the European Communities committee on VAT.

Committees: Expenditure Committee. Trade and Industry sub-committee on the fishing industry.

WEDNESDAY — COMMONS: National Insurance Surcharge Bill. Committee and remaining stages. Adjournment: Effect on 1944 Education Act of the House of Lords ruling on Tameside.

LORDS: Debate on Royal Commission on standards of conduct in public life.

Committees: Expenditure Committee: Trade and Industry sub-committee on fishing industry. At 4 p.m. Planning procedure. Nationalised Industries Committee. Sub-committee "C" Horserace Totalisator Board. Sub-committee "B" on British Steel Corporation.

THURSDAY—COMMONS: Debate on committee of public accounts. Motions on Appropriation (Northern Ireland) Order. Motion on Supplementary Benefits (Northern Ireland) Order. Adjournment: Effect of rising prices on pensioners.

LORDS: Industrial Relations Order. Supplementary Benefits (NI) Order. Appropriation (No. 3) (NI). Debate on new Highway Code.

FRIDAY—COMMONS: Fishery Limits Bill. Adjournment: Cycling to relieve city congestion.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—
Green (R.) Properties, Brighton, 5.30
Myddleton Hotels, Eastbourne, 12.30
Paterson Zochonis, Manchester, 12
Wolverhampton Die Casting, Birmingham, 12.30

BOARD MEETINGS—
Finals:—
Management Agency and Music
Northern Irish and Scottish Investment Trust
Wearra

Interims:—
Attwood Garages
Bishop's Stores
Bremner
Callyns
Carclo Engineering
Kleen-E-Ze
London Asiatic Rubber
Preedy (Alfred)
Shaw and Marvin
Turner Curzon
Whitecroft

Duple International
Evans (Frederick W.)
Hanson Trust
Hazlewoods (Proprietary)

Interims:—
Braham Millar
Centreway Securities
Cooper (Frederick)
Deritend Stamping
English Card Clothing
General Electric
London and Liverpool Trust
M. and G. Second Dual Trust

DIVIDEND & INTEREST PAYMENTS—
Alnwick 11¼pcBds. Red. 15/6/77
Bath 11¼pcBds. Red. 15/6/77
Beauford Group 0.95p
Bradfield 11¼pcBds. Red. 15/6/77
Bristol 11¼pcBds. Red. 15/6/77
Burrell 0.3p
Clarke Chapman 1.4p
Colchester 11¼pcBds. Red. 15/6/77
Courtney Pope 1.188p
Cumbernauld and Kilsyth 11¼pcBds. Red. 15/6/77
Dart Inds. 20 cts.

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LABOUR NEWS

Government urged to set up State computer concern

BY ROY ROGERS, LABOUR CORRESPONDENT

GOVERNMENT should take ater stake in the computer try and set up a nalised British Computer oration instead of subsidis- J.S. companies such as IBM Honeywell, says one of the try's main unions.

e U.S. companies should be ved of access to the nalised industry market and import controls introduced, Technical and Supervisory ons (TASS) of the Amalga- d Union of Engineering kers, says in a booklet.

e booklet, A Policy for the puter Industry, has been ished by TASS as a trade n response to the recent im report of the National nomic Development's Coun- computer sector working y.

ASS accuses the working y of abandoning the aims of establishing a comprehensive U.K. computer industry and favouring encouragement for foreign manufacturers to use the U.K. as a manufacturing and research base.

Saying that if the working party view is adopted the U.K. industry might soon be a "thing of the past," TASS maps out its alternative *strategy*.

It includes: extension of the National Enterprise Board's stake in Ferranti, ICL and the Data Recording Company so as to exclude private capital: assisting these concerns to form a single British Corporation; introduction of import controls; requiring the entire public sector to buy British-designed and developed equipment; negotiation of planning agreements with ICL and the U.K. based manufacturing companies to ensure an orderly transition to U.K. equipment.

Bank of England staff call for worker-directors

BY DAVID CHURCHILL, LABOUR STAFF

STAFF in the Bank of England have told the Treasury that they want a greater say in decision-making in the Bank's internal affairs.

The 3,500-strong Bank of England Staff Organisation, representing the majority of the Bank's employees, suggests that two members of staff should be elected to the Court of Directors to ensure the views of employees are known at top level.

In its evidence to the Treasury inquiry into industrial democracy in the public sector, the staff organisation also argues in favour of a new post of managing-director being established to take charge of the day-to-day running of the bank's domestic affairs.

At present, this function is largely carried out by the Governor and Deputy-Governor but BESO believes their rightful concern with technical issues hampers their involvement with staff matters.

The staff organisation suggests that the worker directors be elected by all members of staff and hold office, on a non-executive basis, for four years. This would either be in addition to the present 12 non-executive directors, or the two staff members would replace existing directors.

BESO suggests that this change could be implemented without amending the Bank of England Act by giving greater powers to the Employment Protection Act to increase worker participation.

On a wider extension of participation throughout the Bank, the staff organisation considers this best achieved by adapting existing consultative machinery. A new participation bureaucracy would only "create confusion and red tape" it argues.

In particular, increasing use *should be made of joint union* and management working parties "to examine all aspects before the stage is reached for collective bargaining on these items between the Bank and union."

Gormley wants to reopen talks

BY OUR LABOUR CORRESPONDENT

BRITAIN'S 260,000 miners are expected to move nearer a potential confrontation with the Government this week when they decide by pit-head ballot whether to give their leaders authority to call industrial action over demands for early retirement.

The national executive of the National Union of Mineworkers looks assured of getting the 55 per cent. vote it needs and NUM officials will then be sent back to press the National Coal Board to improve its offer.

Mr. Joe Gormley, the NUM president has, however, made it clear that he will seek to reopen negotiations with the NCB no matter what the outcome of the ballot, which will not be known until next week.

The NUM demand, drawn up at the union's annual conference, is for a five-year reduction in the 65 year retirement age from next January, with further staged reductions taking it to 55 by 1980.

In reply the NCB has offered a voluntary scheme under which miners with 25 years' service underground can opt for a retirement at 62. But because of the pay policy the phased introduction of the scheme cannot start until next August.

Union officials realise that there is no possibility of their demands being met, but they are confident of winning some small concessions, particularly for underground workers who have been forced to take lower-paid surface jobs because of health reasons.

It remains to be seen whether these concessions prove sufficient to avert the threat of industrial action.

Although early retirement is an emotive issue it appears unlikely that miners would favour strike action to support their demands as this could jeopardise the Labour Government and many of their own jobs.

Print union merger talks

BY OUR LABOUR CORRESPONDENT

SMALL Society of Lithographic Artists, Designers and ravers, which is embroiled recruiting battle with the onal Society of Operative ters' Graphical and Media sonnel, and the National phical Association, is to merger talks with them.

LADE's national executive decided to join the amalgation talks which Natsopa and NGA are formally to open the New Year as part of the ustry's eventual aim of estab- ing one printing union.

But meanwhile, SLADE continues to come under pressure from the other printing industry unions to drop its recruiting campaign among advertising agencies. SLADE has angered the other unions by threatening to "black" agencies which refuse to recognise it.

Natsopa is threatening to "black" a London colour processing laboratory where SLADE has a closed shop agreement.

The TUC printing industries committee is expected to attempt to unravel the situation.

APPOINTMENTS

Lord Weir to join BICC Board

Viscount Weir, chairman of the ir Group, is joining the Board BICC on January 1.

★

Mr. S. S. Norman has been made president of H. GOLDMAN OUP and Mr. Roy Garner has en appointed group chairman.

★

Mr. G. F. Claxton is to retire sales director of BRITISH GAS December 31 and will be taking a new appointment as execu- e director of U.K. GAS PLIANCES ADVISORY SER- CES a recently formed company.

★

The CRONITE GROUP has made following Board appointments subsidiaries: Cronite Foundry ompany: Mr. D. A. Bond joins the Board as managing director, Mr. A. C. James joins as financial director and Mr. A. S. F. Wiltshire has been appointed director, special project. Cronite Spares and Fabrications: Mr. M. J. Wheeler and Mr. H. Pell-Walpole become directors. Cronite Export Services: Mr. K. F. Ward (chairman), Mr. G. E. Walker (managing director), Mr. R. S. Fisher, Mr. H. Pell-Walpole and Mr. A. J. Parsons, directors.

★

Sir John Patridge has accepted an invitation to become the first vice-president of the SOCIETY OF

★

BENTALLS has made the following senior executive appointments from February 1: Mr. L. Edward Bentall becomes joint managing director on the main Board retaining his present responsibilities as merchandise director; Mr. David Fowler takes up a new position as general manager of the Kingston upon Thames store. He has been store director of the company's new store at Bracknell, Berkshire, since its opening in April, 1973; and Mr. Anthony R. Pashley becomes store manager of the Bracknell store where he has been assistant to Mr. Fowler.

★

Mr. John Hargreaves and Mr. Irwin Dalton are to become, respectively, regional directors of the western and southern regions of the NATIONAL BUS COMPANY from January 1 following the recent appointments of Mr. Robert Brook as NBC's chief executive and Mr. Frank Pointon as deputy chief executive.

★

Mr. A. D. W. Robertson has been appointed to the Board of MIDDLETON FOSTER ANDERSON AND CO.

★

Mr. Gerry C. Thackrah, marketing manager of INTERNATIONAL HARVESTER COMPANY OF GREAT BRITAIN, has been elected to the Board.

★

Mr. G. F. Lightfoot and Mr. G. R. French have joined the Board of CLARKSON BARDRICK AND CO.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Wire unit works with single die

EQUIPMENT based on a grooved extrusion wheel for the production of wire and strip relies on a novel form of frictional drive which Babcock Wire Equipment believes to be well in advance of conventional wire-drawing units in many ways.

The wheel has its groove on the outside perimeter and it is of the same width as the feedstock. A stationary shoe covers one section of the groove and is blocked at one end. As the wheel rotates, it draws the feedstock round with it by friction and the pressure generated when it reaches the blocked end is enough to extrude the metal through the attendant die.

Four models have wheel sizes from 225mm. to 1 metre and corresponding rated input powers of from 75 to 600kW. Maximum feedstock diameters up to 40mm. diameter can be handled.

Suitable for low volume producers of a range of small non-ferrous sections is the Conform C225H which will take feedstock up to 20mm in aluminium and 9.5mm. in copper and turn out 350kg. per hour of extruded material. Maximum extrusion ratio in aluminium goes as high as 150:1.

Drive is from a Linde PV 186 bent axis pump and a high torque low speed Hagglund motor which together produce pressures up to 60 tons/sq. in.

Linde equipment was selected for compactness and minimal pipework with excellent speed control at the critical point when freshly extruded wire is being fed into the take-up gear.

Conform requires a single die instead of typically 13 on a conventional machine and change-over to another die shape takes 15 minutes instead of an hour. Because it is from an extrusion rather than a drawing process, the resulting material does not need to be annealed before use. Overall, the equipment is far simpler than the drawing systems it replaces.

Babcock Wire Equipment is at Northbourne, Hampshire.

Angle static power chuck

A FIVE-INCH diameter angle static power chuck, incorporating a ½-inch through centre hole for additional flexibility with long workpieces, is available from Richard R. Leader, Fordwater Trading Estate, Chertsey, Surrey (09328 62766).

The design provides for rapid changeover between vertical and horizontal operations, and the lower overall height allows substantial clearance under the machine spindle. In the horizontal position the chuck can be used for plunge milling and cross hole drilling. Easy clamping is provided in both planes.

Fixed or variable gripping is by an air control lever, or button, either mounted on the chuck body or remotely located. By coupling the air control switch to the machine cycle, semi-automatic operation can be obtained. A single 80 psi air supply is required.

● SERVICES

Recovery of industrial oils

FOLLOWING AN agreement reached with Midland Oil Refineries (MOR), the Halesowen-based oil-reconditioning company, Edgar Vaughan and Co., Legge Street, Birmingham B4 7EU (021-359 6100), is offering a reconditioning service in respect of its own lubricating, hydraulic, quench and cutting oils.

The service will carry the MOR guarantee, that a customer's oil will be returned for re-use in its original application and that it will perform to exactly the same standard. Water and other contaminants will be removed in the re-conditioning process and the new base oils and additives required to return the product to its original characteristics will be specified and provided by Edgar Vaughan.

Certain customers, with specialised needs, using this service can expect to make considerable savings on their total oil costs, according to Edgar Vaughan. The extent of the savings will depend on such factors as the condition of the used oil, the quantity available for re-conditioning and the distance between the customer and the re-conditioning plant.

Midland Oil Refineries (a Foseco Minsep Group company) will be responsible for the collection and return of the used oil, in barrels or, in larger quantities, in MOR's own tankers. Each customer's oil is treated separately, in a single batch process which ensures that there is no cross-contamination between different customers' oils, even though they may be of the same type.

MOR also has compartmentalised tankers for individual batch collection and delivery, and some of these tankers are fitted with aircraft-type filters to ensure that an oil has not become contaminated in any way once it has been re-conditioned.

The minimum quantity that it is possible to re-condition by this service is 2,300 litres, or about 500 gallons.

● MATERIALS

Protective films for windows

LATEST DEVELOPMENT from Madico, the Boston, Mass. company which uses ICI Melenex plastics to produce protective film for windows, is a film which reduces heat and light transmission.

Called Reflecto-Shield, it includes the protective qualities of the company's shatter resistant film, Saftee-Shield. The new film produces a mirror-like external effect on windows and is available in silver, bronze, copper, gold, grey and green.

The effect is achieved by the vapour deposition of a thin coating of aluminium between polyester laminates. This restricts the passage of solar radiation by reflection, the amount of reflection being dependent on the thickness of the aluminium film.

Supplied in 200 feet rolls, up to 60 inches wide, the film is available in three thicknesses—0.002, 0.004, 0.008 inch. It is not a do-it-yourself product, and will normally be installed by dealers appointed by the selling agent for the British Isles, Doulton Glass Industries, Parr Road, Honeypot Lane, Stanmore, Middx. (01-952 2300), part of the Royal Doulton Group.

Another film for windows is an upgraded version of Safetykling, which provides protection against bomb blasts and industrial explosions. It provides better light transmission than its predecessor (over 97 per cent.), and improved adhesion to glass.

It is a 0.002 self-adhesive polyester film, flame-proof when applied to glass, unaffected by ultraviolet light, and is cleaned in the same way as a normal window with a chamois leather and a mild non-abrasive detergent.

Details from Ozalid (U.K.), Cowdray Avenue, Colchester, Essex CO1 1XU (0206 5191).

● COMPUTERS

ICL's large machines on the move

SINCE THE official launch in March, ICL's mid-range machine, the 2960, has won £20m. worth of orders, making it the best-selling machine in its class in Europe with some 75 per cent. of orders going to the private sector. There are many more orders in the pipeline—from France, Holland, Czechoslovakia, Sweden and Germany.

Equally significant in the company announcement is the fact that seven machines worth £4.5m. have been ordered by financial institutions.

So far, machines have been delivered to the MoD, BBC and University of Kent; volume deliveries start in January 1977 and the company is opening a production line for it at Winsford, Cheshire.

In extended comment on the company's financial results, last week, indications were given that the company expected to gain £40m./£50m. worth of business from its small systems—the 2903 and Singer families—in the current operating year. But earnings from the sales of the big machines at the top of the 2900 group would be "substantially more."

What the contribution from Singer will be is hard to determine. But Singer International had a turnover of $70m. in the year prior to its demise and while there has been some fall-off due to the period of uncertainty before the arrangements with ICL and TRW came into being, it has been far less than the company expected. With the coverage of Europe provided by the 12 Singer offices now under ICL wings, the company expected sales in Europe to double compared with the previous exercise.

Open doors in Moscow

AMERICA'S Sperry Rand Corporation has now joined the select list of large Western industrial manufacturing companies—it includes America's GE, Du Pont, IBM and Britain's ICL—which have received accreditation from the Soviet Union and thus permission to open a Moscow office, employ local staff and the like. All these companies have some assurances that they will be doing a continuing business in the Soviet Union.

The list has a strong emphasis on the manufacture of computers and control systems. Indeed, so far, the best known of the Sperry Rand deals with the Soviet Union has been for the sale of a 1106 computer system to Aeroflot from its Sperry Univac division. It may well be that this accreditation presages further computer systems sales.

Meanwhile, although it is not yet accredited, NCR Corporation has signed five-year agreements aimed at the application of electronic retail systems in Soviet department stores, supermarkets and restaurants.

Terms of the agreements also provide that the co-operative scientific and technical effort can be extended to include other fields.

In the initial phase of the programme, joint groups will be established to develop proposals which will serve as the basis for specific projects. The nature of any specific projects and related commercial and financial considerations will be subject to special agreements and contracts between the two parties.

The main interest of the accreditation moves so far has been towards data processing, heavy chemical and textile engineering and heavy electricals. But there are thought to be many other areas in which much closer working would be welcomed — electronics, advanced agricultural equipment and quality control devices being among them.

● AGRICULTURE

Almost capable of walking on the water, this low-pressure ground tractor from T. T. Boughton and Sons is to a Century Publications design and is based on an International Harvester chassis. Ground pressure has been reduced to 1.8 psi and the machine is thus able to work continuously on marshy ground where traditional machinery would become hopelessly bogged down. Forestry, peat bog work and drainage in waterlogged soils are tasks which this unit can take in its stride.

Collects and transports big bales

HAY AND straw baling on U.K. farms is already tending towards the recently introduced "big balers." These produce round bales up to 6 feet long by 6 feet diameter (other types make 6 feet cubes) and weigh ½ ton.

In Scotland, where big bales are very popular, a specially designed transporter has been developed. Basically a tractor-drawn trailer, the unit has a pair of hydraulically operated loading arms at its rear end. The trailer is reversed to the bale, the arms lift it on to the bed, and the unit moves on the next bale. When this is loaded, it nudges the first bale down the trailer, along a floor designed to help it roll.

The transporter will carry four 6 feet bales, or six 4 feet bales. For unloading, a hydraulic ram lifts the trailer wheels clear of the ground, tipping the end on to skids, and the bales roll off.

All the operations are controlled by the tractor driver, and the maker says that on test one man was able to clear a 90 acre field in one day. Tractor power required is 50 hp.

The trailer, which is 24 feet long and 8 feet wide, can be used for winter feeding in the field, when mesh sides are fitted. Bales are loaded, untied, and the unit left in the field for self-feeding. The sides, rear loading arms and floor can be removed to convert the transporter into a general agricultural trailer.

On show at the Royal Smithfield Show, Earls Court, London, this week, the transporter is made by Adams Wagons, Old Deer, Peterhead, Aberdeenshire AB4 8LJ (07712 254).

Terminals end up with Telex

CONTINUING TO make a great deal of the running in the plug compatible attack on IBM, Telex has acquired a successful terminal manufacturing subsidiary of the large and highly diversified company United Technology (formerly United Aircraft).

Technical Communications Inc. is the name of the unit (TCI) and it has been particularly successful in the U.S. with sales of the TC275, a visual display terminal which competes with IBM's 3270.

The company is also a supplier of custom-built terminals to American Express, Siemens and the Hilton group.

There are around 18,000 terminals installed with 850 customers who appear to appreciate ability to plug in this product to an IBM controller with no more ado than if it were the IBM equivalent.

No other reason for the United Technology sale to Telex has been given than that it wished to concentrate on military markets.

Telex is thus adding an important item of peripheral equipment—micro-computer based display terminals—to the solid-state memory tapes and discs it is already offering at IBM sites with some success. Telex also is planning the same kind of operation for ICL sites.

Telex Computer Products U.K., 218, Oxford Street, London, W1R 1AH. 01-734 9131.

● PACKAGING

Machinery agreement

AUTOMATED PRE-PACKING systems for fresh fruit and vegetables, and machinery and service for pre-packs in general are now available as the result of a collaborative agreement between BIF British Industrial Fastenings, of Aylesbury, and Wickers-Automatische Verpackungssysteme GmbH, of Hamburg.

Under a sole distributorship agreement, BIF will market the full range of Wickersheim packaging equipment throughout the U.K. and Eire, extending the company's development into the systems area of flowing pre-packaging.

BIF predicts that reasons as diverse as EEC regulations, the Equal Pay Act and the preferences of the housewife, will force many fruit and vegetable suppliers to re-think their pre-pack operation and, by necessity, accelerate their investment in new systems.

The wideness of choice in the varying specifications enables packers to custom-build the BIF Wickersheim equipment to suit their particular requirements, as highlighted by the 14 counter weigher models. These range from separate, automatic, high speed, count packing and weigh packing machines, plus vibrating feed and 2, 3 and 6 lane input models, to a combination of both count and weigh features in one universal unit.

Details from BIF at Gatehouse Road, Aylesbury, Bucks., HP19 3DS (0296 81341).

● INSTRUMENTS

Dose rate measured

RADIATION dose-rate meter U3B has been specifically designed by Testrade for monitoring the levels prevalent in industrial radiography.

A light (0.9 kg.) weather resistant gamma and X-ray meter, it conforms to the new code of practice for site radiography issued under the authority of H.M. Factory Inspectorate. The instrument is factory calibrated against caesium 137 and gives ±20 per cent. of full scale accuracy over a temperature range of —5 to +50 deg. C.

Operating ranges are zero to 1,000 100 and 10 millirads/h in three logarithmic scales that are arranged to give the 0.75 mr/h (non-classified personnel) and 2.5mr/h (classified) readings towards mid-scale.

The instrument can be powered from either one 9V PP7 type or from six U7 cells. Battery life is in excess of 100 hours at three hours per day of use. More from Horton Road, West Drayton, Middx. UB7 8JG (West Drayton 40571).

● COMPONENTS

Shows many luminescent characters

A DIRECT current electroluminescent display panel with an area of 160 x 100mm (6.2 x 3.9 ins) able to display 256 characters in eight rows of 32 has been put on the market by Phospor Products, 10D Dawkins Road, Hamworthy, Poole, Dorset BH15 4JP (02013 77220).

It is a continuous dot matrix having 84 horizontal rows and 192 vertical columns. The metal oxide coating on the glass substrate is etched to provide electrical access to the rows and columns at the edge of the substrate. The horizontal anodes of transparent metal oxide are covered with a layer of polycrystalline powder zinc sulphide phosphor.

Cathode is a layer of vacuum deposited aluminium and the matrix of elements is generated by precision scribing through the phosphor layer at right angles to the substrate anodes to produce the vertical columns. Character format is 7 x 5, giving eight rows of 32 with suitable spacings.

A complete unit consists of panel, display drive and character generation cards; various interface cards can be supplied.

● PROCESSES

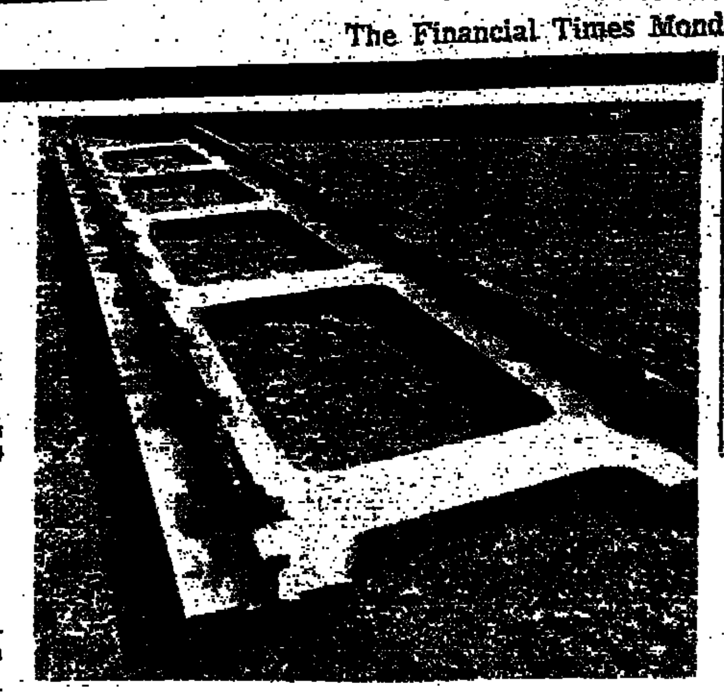
Cable joint

IN a report on this page on December 1, the Wettern Composites cable jointing process was wrongly described. In fact the compound, which remains a semi-fluid, is cold injected into a strong box made from a composite material developed by Wettern. This moulded casing resists site damage, protects the joint and contains the semi-fluid. Advantages include absence of any hot-pouring, good thermal cycling/expansion properties, and ability to easily re-enter the joint.

CONTRACTS AND TENDERS

شكرا من الاجل

Building and Civil Engineering



Big hospital job won by Gleeson

FIRST PHASE of construction on the Chesterfield District General Hospital scheme for the Trent Regional Health Authority is to be carried out by Gleeson under a £12m. contract just awarded.

The company expects to gain early access to the site which is at Plover Hill Farm near Callow and a period of 4¼ years has been allocated for completion of the section specified in the brief.

This very large hospital will have eight operating theatres, an X-ray department and over 400 beds for acute medical and surgical cases.

A road improvement scheme to give better access to the Chesterfield to Bolsover A632 road from the site has already been completed.

Hong Kong's £30m. waste system

DETAILED design of Stage 1 of a vast new Hong Kong industrial effluent and sewage treatment scheme, representing £30m. out of an estimated total of £60m. in construction costs, is being undertaken by an affiliate of J. D. and D. M. Watson on the instructions of the Hong Kong Government.

Watson (Hong Kong), a partnership of consulting engineers formed to carry out work in the Colony, is in charge of the work which relates generally to interception and conveyance of urban waste from the North West Kowloon area to a large treatment centre near Stonecutters Island. This plant will provide degritting and fine screening with discharge through outfall and diffuser into the main current stream through the harbour.

Later stages of the project will require building a further interceptor and additional sludge and sewage treatment plant.

There are some stiff design requirements to be applied in this extensive project. First typhoons must not interrupt the treatment process, which means these must be particularly careful study of the way in which storm water and flash flooding is handled.

Trunk sewers across the main harbour will probably be built by the immersed tube method and this work will have to be carried out in an extremely busy harbour where ferry traffic and international shipping must not be hindered. At the same time, diversion work on land will be carried out in one of the most densely populated areas in the world.

Construction of a major treatment plant for the new town area of Sha Tin, also the subject of an extensive feasibility study by the group, is to start in the near future.

Stage 1 construction work should be completed by 1980 but it is not yet possible to say when tenders are likely to be called.

£9m. prison contract

A PRISON costing over £9m. is to be built at Brasside, Durham.

The contract has been awarded to Shepherd Construction by the Property Services Agency on behalf of the Home Office. Covering about 45 acres and accommodating 447 persons; the prison will consist of 12 main buildings with playing fields, roads and courtyards.

It will be enclosed by a 5.2 metres high wall nearly 2 km. long. Completion of the prison, which will have air conditioning and a closed circuit television system, is expected within three years.

Nuclear fuel store will cost £2.2m.

TAYLOR WOODROW Construction has been awarded a £2.2m. civil engineering contract to design and construct an irradiated fuel store for GEC Reactor Equipment at Wylfa Nuclear Power Station in Anglesey.

The store will be sited above the existing flask handling area running towards the sea on supports for a distance of about 61 metres from the wall of the main reactor building on the western side. Provision may be made at a later date for a further flask filling and wash-down facility within the new fuel store.

The building will be a dumbell shaped structure measuring 73 metres long by 16 metres wide. Height will vary from 12 metres to a maximum of 30 metres at its highest point.

Rail bridge in Scotland

GRAMPIAN Regional Council has awarded a £316,000 contract to Mears Scotland for the construction of Quakers Bridge, Aberdeen.

This bridge will carry the improved A947 road over the Aberdeen to Inverness railway line which will be spanned by 260 prestressed beams forming a tunnel 130 metres long.

Further north at Huntley, another bridge contract valued at £210,000 has just been completed by Mears as part of the town's current by-pass development scheme for the A96 trunk road between Aberdeen and Inverness.

Fitting out the offices

CEMENTATION Building has won a £1.5m. contract to fit out office floors and other areas in a five-storey office block linked to the now completed Wembley Conference Centre just outside London.

Executive and computer suites are included in the scheme, which involves an area of about 160,000 square feet. Architects are R. Seifert and Partners.

Aerospace techniques aid North Sea work

COLLABORATION between the British Aircraft Corporation and Havron Engineering has been formalised in an agreement to bring together advanced aerospace techniques and offshore/ocean engineering technology.

Through its commercial aircraft division, BAC will make available a series of procedures and facilities developed in support of aerospace programmes. This type of technology and new manufacturing techniques and test methods are being used increasingly outside aerospace to solve industrial problems.

Earlier this year, wind tunnel tests by BAC provided important and useful data for the oil platforms destined for Statfjord and Ninian fields. These tests covered the dynamic behaviour of a flare stack, correct positioning on the platform of air conditioning ducts and the siting of helicopter landing pads.

Havron engineers have experience of offshore, process, coastal and harbour engineering and played a considerable role in the design, construction and installation of Beryl A for Mobil. At present, the group is deeply involved in Stratfjord A and the design of a high-security supply-boat mooring system.

Design services

BAC/Havron will jointly be offering design services covering all aspects of ocean engineering.

They are able to undertake noise and vibration studies, environmental and wind tunnel testing and mechanical and structural test programmes in support of the North Sea work.

Protection in splash zones

TURBULENCE in sea water and high aeration results in far higher corrosion effects in the tidal and splash zone of any structure compared with what takes place above or below this zone.

Many types of protective systems have been tried, especially for use on rig structures; one especially has proved particularly effective and is based on epoxy amine.

It can be sprayed on surfaces in any position and over complex structural elements in thicknesses up to 4.8 mm.

The amine curing agent is in liquid form and thus eliminates the inhalation danger present when powder forms are used. There are no low-flash solvents either and the product—BCC tidal zone cladding—can be applied to new or existing North Sea structures. It is equally suitable for internal coatings on pipework.

Boston Chemical Co., Wetherby, West Yorkshire LS23 7BZ. Boston Spa (0973) 843413.

£6m. power scheme by Hawker

MECHANICAL AND electrical equipment for a new power station in Nigeria at New Marte, to serve a major irrigation scheme for the Chad Basin Development Authority is to be supplied by Hawker Siddeley Power Engineering under a £6m. contract.

In addition to supplying the power for the project's pumping stations, the scheme will also bring electricity to a number of towns and villages in the area.

The U.K. company is responsible for transport and the provision of a self-contained accommodation camp for the installation personnel.

Initial output will be 14 MW and operation is to start by the autumn of 1978.

Sewage job goes to Fairclough

EARLY IN January, Fairclough is due to start on a £1m. contract for sewage works at Borden for Thames Water Authority, Southern Division.

The job has been split to cover two stages, the first involving inlet works, tanks and pumping stations. The second stage calls for the construction of two storm water tanks, modification of existing structures and building of a new road. Consulting engineers are John Taylor and Son.

Switch to another track

NOW BEING laid in the Queen Street railway tunnel in Glasgow is the first example of "ladder" track designed by British Rail.

Development of the track, which does not need the conventional sleeper, has been carried out with the assistance of Anglian Building Products of Lenwade, near Norwich.

This company specialises in pre-cast and pre-stressed concrete components and its expertise has now been directed at aiding British Rail in the production of the new form of track which it is thought will be of great interest in countries overseas where rail transport systems are being investigated.

Use of the "ladder" system speeds track laying and lessens maintenance needs. The units are produced in 30 feet lengths and are laid on a concrete base after the old track and track bed have been removed. They are then ready for the laying of continuous welded rail.

Recreation area for the Jubilee

A LANDSCAPED garden and entertainment area to commemorate the Queen's Silver Jubilee celebrations next June is to be created by Bovis Construction, part of the P and O Group, on the site of the 1951 Festival of Britain in London.

The project, which will cost about £250,000, is being financed by the London Celebrations Committee out of grants from the Greater London Council and private donations. It is planned as a permanent recreation area.

The site is located on the South Bank of the River Thames between County Hall and Hungerford Bridge. When completed—in April, 1977—the project will contain a landscaped lawn, a formal garden and shrub areas and an outdoor exhibition area.

Togo plant is well in hand

CONSTRUCTION of the £25m. oil refinery being built for the Republic of Togo by Humphreys and Glasgow and William Press (International) is well advanced and the whole complex should be ready for commissioning in the spring of 1977.

To process crude oil from Nigeria, the plant is close to the capital Lome, and was constructed under the responsibility of William Press, while Humphreys and Glasgow has carried out process design, engineering and procurement.

The whole project was financed by Hill Samuel and backed by the Export Credit Guarantees Department.

Capacity is 30,000 barrels per day and the refinery will be served by a 4¼ km. pipeline system for crude and refined products involving 24 km. of pipe up to 450mm in diameter between refinery and jetty which is itself about 1 km in length.

It will have six loading arms to cater for tankers up to 60,000 tonnes.

Outlook is good for Whyatt

AWARD OF a £1.64m. contract for 127 dwellings by the London Borough of Tower Hamlets marks the end of a successful year for Whyatt Builders of Streatham, London. This is despite what the company calls "a general shortage of opportunities."

This latest contract is due for completion in January, 1979, and is another job worth more than £2.47m. now under way for the London Borough of Lambeth—207 residential units with shops and an underground car park at Bowland Road, S.W.4.

Also under way is the erection of South Chingford High School at Rushcroft Road, E.4, for the London Borough of Waltham Forest at a cost of £630,000.

Whyatt reckons it has work in hand worth over £10m. and, now in its 50th year of operation, is embarking on a cautious expansion programme involving the setting up of new companies. First of the latter is Substrata Construction and Civil Engineering and Residential Decorations.

IN BRIEF

● Under licensing agreement between RMC Roadstone (Ready Mixed Concrete Group) and Dunlop the former has the right to manufacture and lay Dunlop Delugrip road surfacing material.

● A £155,000 order for 14 steel framed grain storage buildings has been won by The Hillsgrove Group, of Eastleigh, Hants. The order was placed by the Nigerian Food Corporation.

● Barry Staines has won a £150,000 contract from the Greater London Council for the supply over a two-year period of about 100,000 square yards of linoleum.

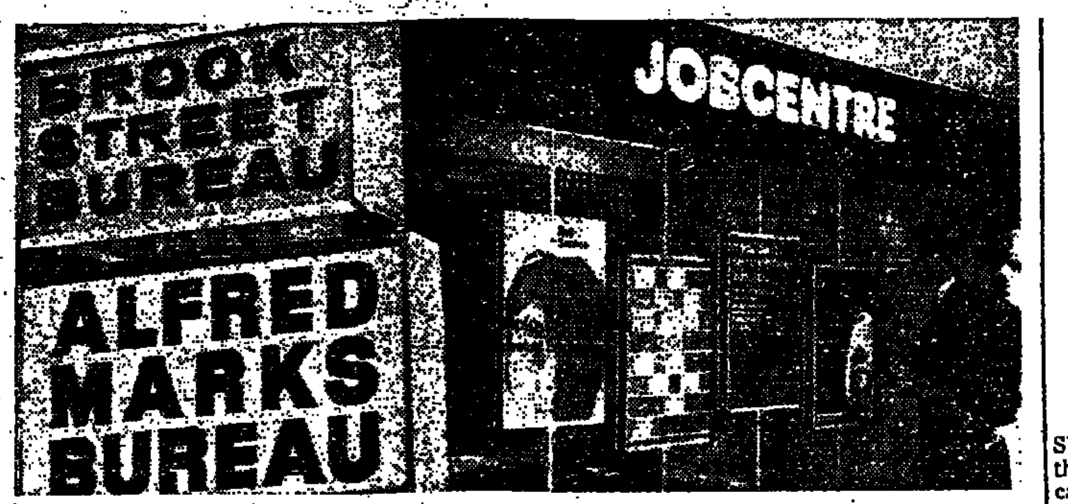
● Barclays Bank has awarded Rattee and Kett of Cambridge, a member of the Mowlem group, a £210,000 contract for a two-storey building with car parking facilities at the rear of St. Neots, Huntingdon.

● Cranes worth over £1m. are to be supplied to Iran Fertiliser Company by A. Long and Co. of Wembley, Middlesex.

The Executive's and Office World

SUE CAMERON explores the row between the private and public sectors of the job-finding business

How the State adopted a commercial image



THE GOVERNMENT'S new-look jobfinding service is currently under heavy fire from the private employment agencies which claim that it is spending public money on a profligate scale without achieving any corresponding improvement in results.

This battle between the public and private sectors of the employment agency business started two years ago when the Government started a thorough-going modernisation programme of its old and somewhat unsuccessful labour exchanges. The Employment Services Agency (ESA), which comes under the aegis of the Manpower Services Commission, started to shut down its old dingy employment exchanges and to replace them with bright, businesslike offices called jobcentres. These new centres are sited in high streets and shopping precincts and at about the same time the Agency's professional and executive job finding register was renamed Professional and Executive Recruitment and was given a similar facelift.

Now nearly 6m. people apply for jobs at the job centres every year. But while the ESA is delighted at the extra business that its new image has generated, the private sector is furious about the Government's efforts to make the operation more commercial.

Taken together, however, the State-owned and private-employment agencies have only a minority share of Britain's total job market. Over 50 per cent. of manual and office workers find their jobs through newspaper advertisements or personal contacts, while a further 20 per cent. of vacancies are filled by people writing directly to prospective employers. The private agencies and the ESA are therefore fighting for predominance in the remaining 25 per cent. of the market.

In the past the Government employment offices catered mainly for manual workers while the private sector concentrated on white collar staff. But now this has changed. The revamped jobcentres are moving in on the office staff market and they are doing so at a time when the whole of the employment market is depressed and when everyone in the employment business is being squeezed.

However, despite these economic problems, the private agencies maintain that they are not losing trade to the jobcentres. They insist that the only reason for their attacks on the ESA is simply that it is squandering public funds and must be stopped. The Federation of Personnel Services, which represents a large slice of the private sector, has recently brought out a document that accuses the ESA of losing large sums of money on its commercial operations, of buying up huge high street offices which it does not really need, and of filling these luxurious premises with large staffs of civil servants.

The ESA has hit back by saying that the federation has produced inaccurate figures. Senior civil servants suggest that the private agencies are losing business to their go-getting jobcentres and they hint that this is the real reason for the federation's vicious criticism.

Marketing

The marketing managers on the Government side proudly point out that 240 jobcentres have been opened so far and new ones are starting up at the rate of two a week. The ESA still has about 650 traditional employment exchanges but it is hoped that all of these will be replaced by jobcentres in the next few years. One of the main features of the modernisation programme has been the separation of the employment service from the social security scheme. This has already been completed and it has done much to remove the stigma that was always attached to registration at a labour exchange.

The centres all have a self-service job selection notice board that enables people to browse through current vacancies. People who find something that interests them then go to the receptionist who then tries to fix up an immediate interview. The centres also provide a specialist advisory and interviewing service.

*In addition to their straight*forward placement operations they also have a number of social functions: they liaise with local social security offices over the payment of benefits; they collect statistics on the labour market for the Government; they act as the main recruiting agents for the Training Opportunities Scheme; they help the disabled to find work; and they see to it that jobseekers are fully informed about things like the employment transfer scheme.

But administration of these special services requires extra space and staff and therefore extra cash. And it is the "excessive" cost of the jobcentres to the taxpayer that the private agencies are criticising so bitterly. They claim that while staffing costs for ten Government jobcentres are in the region of £570,000, the private sector can run 60 agencies with a salary bill of only £500,000. They say the self-service system used in the jobcentres should require a smaller complement of staff than in a private agency where all clients are interviewed. They point to the rise in the ESA's budget from £88m. in 1975-76 to £112m. in 1976-77 and suggest that one reason for this is the extravagantly large and expensive premises in which the new jobcentres are housed.

On the face of it these figures show that the £57,000 salary bill of an average jobcentre is seven times greater than that of a private agency which runs at only £8,400. But a straight comparison is unfair because at least 56 per cent. of jobcentre staff are engaged in running the specialist social services rather than in matching clients to job vacancies, while the private agencies are concerned *solely* with placements.

If the costs of staffing the social operations of the jobcentres are hived off then their salary bills are only four times as great as those of the private agencies.

And the ESA points out that the jobcentres are doing between 30 and 40 per cent. more business than the old employment offices. This means that each centre deals with over 7,000 jobseekers every year and the numbers are rising rapidly. But the average office of a private agency will cope with only 2,000 clients per annum. The evidence therefore suggests that the jobcentres are only fractionally more expensive to run than the private agencies for although their costs are four times higher they do nearly four times as much business.

PERFORMANCE OF THE RIVALS

	Jobcentre*	Private agency
Staff costs per office	£31,920	£8,300
Job applicants	7,150	2,000
Applicants placed	1,820	600
Cost per placing	£22	£70-£80

*Both sets of figures are averages and those for jobcentres only relate to job placements and do not include the cost of Government staff doing social work.

The private agencies manage to find jobs for about 29 per cent. of the people who come to them while the rate of successful placings in jobcentres is about 26 per cent., a figure which may be artificially high because it includes people given temporary jobs. In the private sector temporary workers are employed direct by the agencies and are then sent out to different companies every week. They do not show up on the placing statistics. But a secretary who obtains a series of temporary posts through a job centre will be counted anew every time.

Yet when it comes to cost per placing the jobcentres score heavily over the private sector. Each placing costs them only £22 while the cost in a private agency is between £70 and £80. Both figures include the cost of premises, staff, lighting and other overheads such as telephones and postage. The £22 placing cost in the jobcentres also compares most favourably with the placing cost of £47 in the old employment offices.

One of the chief complaints against the jobcentres is the cost of their premises. The Federation of Personnel Services says that jobcentre offices are far larger than those of the private agencies. It adds that the ESA could have saved a good deal of public money by refurbishing the existing employment offices instead of renting new buildings like the double fronted shop in London's Oxford Street that will cost £75,000 a year.

But as the jobcentres do more business than the private agencies they can hardly be blamed for taking up more square feet of office space. And the ESA has found that a jobcentre on a prime site such as Oxford Street attracts between 30 and 40 per cent. more clients than a refurbished employment exchange in a back street.

It is true that rent and rates in Oxford Street are extremely high but the private agencies dotted along that particular consumers' mecca are legion. Alfred Marks Bureau and Brook Street Bureau have four offices each and there are plenty of others which presumably means that Oxford Street is good for the employment trade.

A far more justifiable charge against the jobcentres is that they employ too many staff. The average jobcentre has six or seven people working on placings alone while a private agency has only three or four. All clients in a private agency are interviewed but the majority of those who go to a jobcentre use the self-service system and this does not call for a large staff. Even allowing for the greater number of jobseekers, the centres do appear to be overstaffed on the placings side.

All those working in the jobcentres are civil servants and they are said to be unwilling to work anything other than civil service hours. When the Manpower Services Commission appeared before the House of Commons committee of public accounts earlier this year it was unable to give any satisfactory reason for the jobcentres being shut on Saturday mornings.

Taxpayer

The ESA's general response to accusations that it is wasting taxpayers' money on the jobcentres is that it has just introduced a new management accounting system that should enable it to make some savings next year. It flatly denies all charges of profligacy and points out that the reason it will have to spend an extra £24m. in the next financial year is that for the first time it is having to pay for work done by the Property Services Agency, the Stationery Office and other government departments—as well as coping with inflation.

Critics of the ESA argue that the need to pay for services from other Whitehall departments will act as a much needed financial discipline. They expect to see fewer glossy brochures in jobcentres during the coming months and they will not be surprised if certain grandiose building plans for new ESA offices are quietly shelved.

Yet there is evidence that the ESA is cornering a growing share of the job market—perhaps the proof of this is the private sector's attack on the ESA. For it is hard to believe that the private agencies' fierce criticism is motivated by nothing more than disinterested concern for Britain's taxpayers.

FINANCE DIRECTORS

Wider roles for some qualified accountants

BY NICHOLAS LESLIE

SIGNIFICANT differences in the responsibilities and qualifications of financial directors employed by U.K. companies compared with their counterparts in the U.S. are highlighted in a study published to-day.

The report finds that most British finance directors have an accounting qualification—in contrast to their U.S. counterparts who generally have a university degree. But their traditional, rather passive, role is changing and, says the study, the financial director "will become much more of a business manager, and less of an accountant."

The study, called a Profile of the Chief Financial Officer in Great Britain, is specially significant because it follows publication last week of the Morpeth Group's proposals on current cost accounting in the U.K. which will impose on finance directors a major responsibility for ensuring that new accounting techniques are implemented.

The study was carried out by Heidrick and Struggles, an executive search company. Some 300 companies, chosen because they are the largest in their particular industry according to the latest Times 1,000 Report, were surveyed and 46 per cent. responded. Comparative U.S. data is based on Heidrick and Struggles' 1975 survey of the Fortune magazine 500 largest U.S. companies.

Finance directors in both countries were responsible for corporate finance, tax management, bank and City relations and cash control functions, according to the study. But the British financial directors also had capital expenditure control, auditing and budgetary control functions reporting to them, unlike in the U.S. group.

Some 70 per cent. of U.K. finance directors, compared with 40 per cent. in America, had responsibility for mergers and acquisitions and they were much more likely to be in charge of capital expenditure, management information systems, management services and data processing. They were less likely to deal with credit management, custody of assets, shareholder relations and insurance, and risk management than their U.S. counterparts.

The most demanding responsibility in both countries was seen as financial planning although the proportion which thought so in the U.K.—70 per cent.—was higher than the 47 per cent. in the U.S.

The chief background experience of U.K. chief financial officers was being a controller or chief accountant, although in larger companies the tendency was for the control function of the finance director to be of less importance. A similar trend was found among U.S. companies.

The average age of the British finance director was 48, compared with 50 in America, and his average salary was £18,882, compared with $102,125 (£62,000) for the American. There was less consistency, however, between salary and size of company in the U.K. While average salary for the finance director of a company with under £150m. of sales was £16,739, rising to £20,471 for companies with sales between £150m. and £300m., the average salary fell to £19,595 in companies with sales above £300m.

Economic factors such as rising inflation, declining profitability, rising interest rates and volatile foreign exchange markets were found to have combined to change the chief financial officer's role in recent years. Instead of providing information and passively reacting to managements' decisions, the finance director was now expected to ensure that his company survived in a period of high inflation, says the study. Planning and forecasting were regarded as increasingly important functions and, overall, it is suggested that the chief financial officer "will become much more of a business manager, and less of an accountant."

Study of careers in industry

BY ARTHUR SMITH

PRIVATE INDUSTRIALISTS and Government departments are financing a wide ranging study into the question of how engineers can improve the performance of industry.

The project, supported by the CBI and the National Economic Development Office, is seen by the Government as an important back-up to its industrial strategy. The initiative for the study into what action is needed to encourage more of the able school-leavers to consider manufacturing industry as a career came from the British Association — an independent charitable trust.

The Government responded by offering to contribute half the £36,000 cost provided the private sector made a similar contribution and that industrialists were closely involved in the project.

A nine-month time limit has been put on the exercise as the Government maintains that "urgent action is necessary to improve the quality of management in British industry, especially on the production side."

Sir Monty Finniston, former Chairman of the British Steel Corporation, has agreed to head the British Association group overseeing the project. Many major British companies and nationalised industries will be represented along with the CBI, the TUC the Department of Industry, and the Department of Education and Science.

Research will be undertaken at Aston University, Birmingham, under the direction of the Vice-Chancellor, Dr. J. A. Pope, who is also Treasurer of the British Association. "This will not be a report left to gather dust on the shelf. It will go straight into the centre of public debate," Dr. Pope said last night. It had long been argued that Britain was strong on research and innovation but unable to put the ideas into production. The engineer was regarded as the important link in applying science and technology to the manufacturing process and the study would examine the efficacy of the link, Dr. Pope said.

The terms of reference, set in consultation with the Government, are broad: the group will be required to recommend what action should be taken in the education, recruitment and deployment of engineers "to improve the performance of British manufacturing industry, and in particular the effectiveness of production management."

The report is scheduled for publication next July ready for full discussion at the British Association annual meeting to be held at Aston University in September.

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MONDAY, DECEMBER 6, 1976

When it pays not to work

IN SEVERAL recent speeches Mr. Denis Healey has produced some startling figures, which are in their way at least as important as the more publicised ones relating to public sector borrowing or the IMF loan. He showed that a married man with children earning around the average manual wage is only £5 better off at work than living on social security benefit.

The more detailed calculations, which we published in Saturday's Financial Times, show that a man with two children would have to earn £67 a week if he was to be as much as £5 better off at work, while a man with four children would have to earn £73. The calculations apply to typical cases and no one is typical. This means that some people are not even as much as £5 worse off out of work, while others are worse off by a larger sum.

Understated

Indeed in some ways the Chancellor understated the disincentive to work under present arrangements. For his calculations exclude the income tax rebate of £10 to £13 a week which in many cases will actually make the unemployed person better off even at average earnings for a period of several months. The situation needs to be stated with a certain subtlety. A person with a good job would be ill-advised to give notice in the present uncertain state of the labour market. He would have to wait several weeks before collecting the earnings-related supplement; and after six months the supplement would cease and he would also find that Employment Offices were putting greater pressure on him to take any available job.

But there is an all-important margin at which the disincentive is important. A worker who is dismissed will find it worth taking longer to look for another job. He might devote the extra time to searching for better job offers or to unpaid work at home, or leisure, or a mixture of all these things. Similar considerations will apply to someone who was in any case going to change his job. But in some ways the most important reaction is that of employers, who have much less incentive to plan a continuous programme of employment if they can lay off people and then recall them with the taxpayer paying the cost.

The question of "scroungers" or dishonest claims is not the root of the matter. The fact is that working is taxed and leisure or searching between jobs is subsidised for the rational citizen observing the law. The result is that several hundred thousand are added to the number who would in any case be out of work because of the depressed state of trade, human resources are wasted and the emotive figure of "one and a-half million unemployed" is used to call for totally unappropriate expansionary policies.

Disincentive

As the Chancellor pointed out, we have got into this situation partly through the linking of National Insurance benefits to pre-tax earnings and to prices, which can put recipients of benefit in a more favourable position than wage earners. In addition the starting point of tax has crept lower and lower down the income scale; and it now starts at a rate of over 40 per cent. if National Insurance contributions are taken into account.

Whitehall has always found it difficult to tax unemployment benefits; but it will have to find a way of removing the disincentive to work if a public outcry against the Welfare State itself is to be avoided. But nothing it does will be sufficient without a substantial increase in the tax starting point, and without measures to prevent the starting point creeping down again under the influence of future inflation. There is no way of achieving cuts of adequate size unless the public expenditure nettle is firmly grasped.

Gaullist challenge to the Presidency

THE STRENGTH of popular support for the rally marking the inauguration of a new phase, or at least a new title, for the French Gaullist party is likely to be widely interpreted as a further symptom of the vulnerability of the French President, M. Valery Giscard d'Estaing. It will certainly be seen as an encouraging sign by M. Jacques Chirac, the leader of the renovated *Rassemblement pour la Republique*, who resigned from the premiership in August in order to challenge the President's aim of governing France from the centre. Yet it is not clear that M. Chirac has the electoral strength effectively to challenge the President, still less that his renamed Gaullist party can halt the slow advance of the Socialist and Communist parties to the point where they might look forward to a joint victory at the 1978 general elections.

Weakness

The President's weakness has been highlighted in both political and economic terms. The recent by-elections, in which M. Chirac secured his return to the National Assembly, marked a further shift to the left, whereas the Gaullists did considerably better than President Giscard's Independent Republicans. In the light of this result, it is scarcely surprising that the Gaullists, as the largest party in the Presidential coalition, should have decided to put up their own candidate for the newly created post of mayor of Paris, against the Giscardian Minister, M. Michel d'Ornano.

As a would-be reformist, the President seems to have played his hand clumsily. He has introduced legislation on such liberal issues as contraception, abortion and divorce, but there has been little progress towards a much needed reform of the tax system, while the attempt to tighten up on the existing tax system has provoked fierce resistance from the neo-Poujadists.

More important has been the declining credibility of Professor Raymond Barre as the Prime Minister who replaced M. Chirac. His appointment in August was widely welcomed, not merely by members of the governing coalition, but even among the opposition parties. Since then, however, his autocratic manner has alienated politicians on all sides, not least because in reality he has no political base apart from the personal support of the President, while the results of his anti-inflation policy have yet to endorse his solid reputation as an academic economist.

Disappointing

The three-month price freeze introduced on September 22 has so far produced disappointing results, for while the major companies have apparently made a real effort to meet the Government's target, small businesses have not, and the retail price index went up by 0.9 per cent. in October following a 1.1 per cent. increase in September. The price freeze was accompanied by a batch of fiscal measures, some of which were designed to stimulate investment, but industry has been slow to respond to these incentives, and Professor Barre has been reduced to the ineffective expedient of angry exhortation.

It has yet to be demonstrated however, that the weakness of the Government will benefit M Chirac and the Gaullists more than the Left-wing opposition parties. M Chirac's emotional approach to politics may appeal to those who used to vote for General de Gaulle, but it is difficult to believe that the pure milk of Gaullism can still have the same drawing power as it had when the General was alive. The weakness of the President's position resides in the fragmentation of those centrist parties which might otherwise constitute a bridge to the left; but for the time being it remains true that Giscard's personal popularity is far ahead of that of Chirac, even if it is slightly behind that of the Socialist leader, François Mitterrand. If the Left-wing parties win in 1978, the President may be in a dilemma, but the Gaullists will be in a worse one. The Left-wing parties do not win, Giscard will still be President.

Latest Government figures give the gloomiest housing picture since early 1975, reports Michael C

The coming crisis feared by housebuilders

THE rapidly deteriorating situation in the house building industry would, in less troubled times, have already become a major political issue. The fact that the Government and its opponents have more pressing and potentially more far-reaching problems to occupy them will not, however, do anything to reduce the industry's protests about scale of the crisis which is fast developing.

For some months the house builders have been warning the Government that the modest revival in output recorded over the last two years shows signs of disappearing. Their fears have been reinforced by the latest figures from the Department of the Environment which provide the gloomiest picture of housing output since the early days of 1975. The industry now believes that its worst fears are about to come true and that total housing output in both the public and private sectors is set to fall by up to one third over the next 12 months from the current unsatisfactory levels.

Builders say the outlook is more threatening than at any time since the house construction programme got under way again after the last war. Their predictions of continuing company failures and still higher unemployment were underlined only a few days ago by the news that the Greaves Organisation, one of the largest house builders in the West Midlands, had ceased trading because of liquidity problems.

With every major company that succumbs, builders point out, numerous small operators share the same fate—and their departure represents a significant reduction in the industry's capacity, which will be badly needed when market conditions eventually improve.

The background to the builders' pessimistic predictions is bleak. In the private sector, work will have started this year on about 160,000 new homes. Although a marginal increase over the 1975 level of 150,000 and a significant improvement on the disastrous 105,000 houses started the year before this looks distinctly poor against the output levels of 1971-3. The peak of the last cycle came in 1972 when starts were made on 228,000 private homes.

The outlook for next year is even more worrying and the builders have repeatedly reduced their output forecasts. The general view now is that in 1977 starts will drop to around 120,000, but some contractors believe the cut-back will be even more severe, with output falling below the 1974 level. The number of private homes actually completed in 1976 should be around 150,000, representing a near repeat of the 1975 figure, but there must be serious doubts whether even this disappointing performance can be repeated next year.

To make matters even worse, the builders can no longer expect the council housing sector to come to their rescue. Four years ago, the number of council homes on which work had started was nearly 50 per cent. below starts in the private sector, but in the last three years local authority starts have been well ahead of those in the private sector. In 1976 council housing starts are expected to account for around 170,000 units as against 174,000 last year. Completions this year are likely to reach 160,000 almost the same as in 1975.

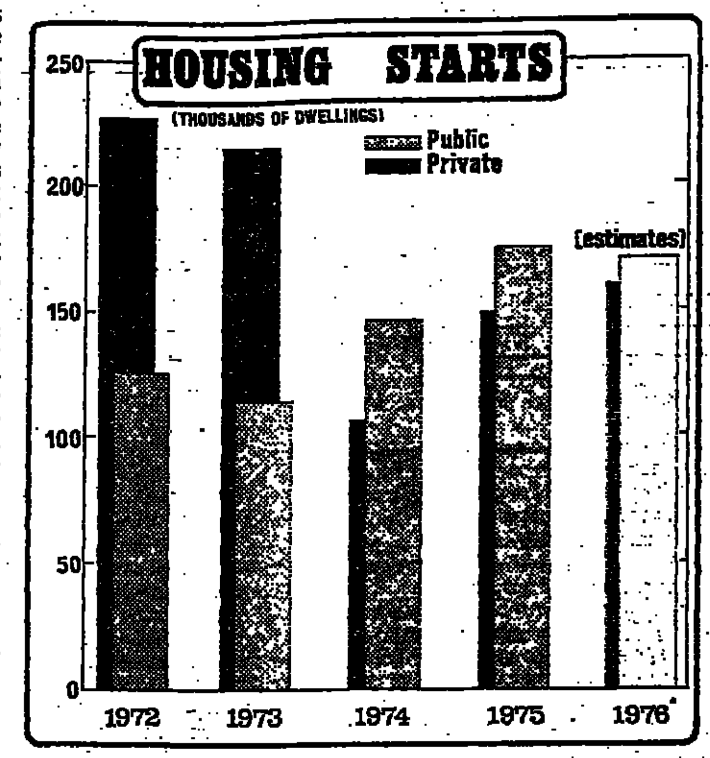
But from now on the public housing sector is clearly set for a phase of restriction. When the Government announced in July its £1bn. package of public expenditure cuts, the temporary suspension of all contract lettings led to guidelines for a reduced local authority house building programme to cut public investment in housing.

Faced with local authority overspending on housing of about £100m. in the current financial year, the Department of the Environment immediately announced that it intended to bring its original expenditure targets back in line by reducing tender approvals in 1977-78 to around 90,000 this year from the original estimate of 110,000.

While this type of action does not have an immediate effect on output, the trend for the foreseeable future is nevertheless clear. Next year council housing starts as well as completions will certainly be lower than in 1976.

The builders have not been content merely to warn of the impending crisis. They have been making strenuous and repeated efforts to secure some assistance from the Government to help to end a three-year phase in which the industry has been operating well below capacity, and profitability has been an increasingly elusive target. The acceptance of the fact that the Government is unlikely to be able to provide any large stimulus for the industry has not prevented the house builders from suggesting a list of policy changes which could, they feel, help to ease their plight.

For the long term, the builders are determined to continue to press for a switch in emphasis from local authority to private house building. They believe, first, that to-day the overwhelming majority of people want to live in a home which they own—a fact accepted by present Government Ministers—and, secondly, that the cost to the Exchequer of private housing is only a fraction of that incurred by public sector building programmes.



The whole question of the present imbalance between subsidies for both sectors forms a central area for consideration by the DOE's Housing Policy Review, whose members have themselves apparently been frustrated by continuing delays in the publication of their recommendations, caused, it is claimed, by procrastination within the DOE. But whatever those recommendations are, and the house builders are sceptical about the chances for implementing them if they propose a radical readjustment of subsidies, they will not come in time to relieve their immediate problems.

The builders point out that in any case measures aimed at making the most cost-effective use of the limited resources available — presumably involving the council rent increases already foreshadowed by the Government, plus any further cut in local authority housing subsidies which may come in in Mr. Healey's pre-Christmas package—would be likely to be accompanied by token proposals to remove help from some house purchasers.

But all these matters remain shrouded in political uncertainty, in sharp contrast to the real situation which now confronts the house builders, who are anxious to see that the unquestionably heavy demand for home ownership is sustained. As the outlook has deteriorated, the industry has framed a growing number of proposals aimed at helping house buyers, ranging from £1,000 subsidies for people buying new homes to Government guarantees for 100 per cent. building society mortgages.

Two major problems will be uppermost in the months ahead. These are the possible drying up of mortgage funds and continuing pressure on margins—either of which could be damaging, but, together, could spell further company failures, more redundancies, and fewer new homes.

The outlook for mortgage finance has changed dramatically in the past few months. In the second half of this year, while the building societies have been continuing to lend over £500m. a month to home buyers, the storm clouds have been gathering and the inflow of funds from investors which is required for lending has been sliding back gradually to levels last experienced in 1974.

Determined to stick to their promise to lend an all-time record of around £6bn. this year against £4.9bn. in 1975, the societies have been drawing on liquid funds to make up the shortfall in receipts. But they have been issuing warnings that the success of 1976 will not be repeated next year.

Faced with a growing inability to attract the large volumes of money they require to sustain a healthy house building programme and housing market, the societies last month raised their interest rates to their highest point ever. Fears at that time, however, that the new rate structure would still not be enough to bring back the missing millions because of the high interest rates prevailing throughout the economy have proved to be well founded.

At the moment, the societies are being left with net monthly receipts of around £100m. against this year's peak of £376m. in March although the most recent figures show a further serious deterioration in receipts. On this basis, the movement — which provides over 80 per cent. of all finance for house purchase—would find it hard to lend much more than £4bn. in 1977.

To improve this performance—not a bad one historically but disappointing in the light of the last two years—the societies have only one option open to them: a further rise in interest rates. This course is by no means out of the question, although many building society executives believe that the point has been reached where any further rises in mortgage rate would create serious financial problems for large numbers of existing borrowers and also exclude altogether a growing number of people from the owner-occupied market.

There are, however, many others within the movement who disagree. They say the real cost of mortgage money —now about 8 per cent., after tax relief, for the basic-rate taxpayer — is still cheap and that there are plenty of people prepared to pay much for it.

In recent weeks they seen the inflow of funds dramatically, with societies recording a net flow of funds. If this becomes more widespread, higher interest rates might be on the way early in the Year.

But even if this happens one is now suggesting that will see a lending programme reaching anywhere near year's level. In that case, will be fewer house sales less new house building. builders are so concerned prospects for next year within the last few weeks have urged the Government to do anything to discourage building societies from further increasing their interest rates the societies feel this necessary.

The dilemma for the industry however, is that while it apparently approve of any ther rise in the home loan builders possess evidence show that the cost of mortgage finance is already acting as deterrent to potential purchasers and is helping to reduce demand for new housing.

According to the House Builders' Federation, which somewhat uneasily attempts reconcile these two glaring contradictions, the builders would prefer to see increased building society interest rates and a volume of funds rather than artificially depressed rates and severe restrictions on mortgage finance.

The builders say that any further increase in the cost of home loans should be accompanied measures aimed at relieving additional burden from first-time buyers and people purchasing newly-built houses.

In the last two years, while new house prices are calculated to have risen on average about 20 per cent., housebuilding costs have shot up by least that amount. The house builders know full well that despite their call to "buy now before prices rocket"—implying that an explosion is around the corner, those prices cannot move sharply upwards without the purchaser's own consent, because prices are set at the level which people can afford.

The builders know, therefore that the prospects of any significant increases in average prices over the next year, given the general economic situation are not good and that, in turn the pressure to maintain their profitability will remain and possibly even intensify.

For an industry which used to wild fluctuations in fortunes—there have been some good times as well—the problems which lie ahead in 197 will not be new. The chances are, however, that it will be a smaller housebuilding industry which benefits from the next boom.

MEN AND MATTERS

The retention clause on Mars

Behind the news being telemetred back from Mars, where the Viking Landers have not yet found any little green men but have proved the ability to analyse soil samples and get the information back to earth, lies a new kind of commercial contract. The man who offered it, Dr. James Martin, has been visiting London and saying that he gives the contract full credit for the performance of the two robot laboratory landers.

Dr. Martin is from Langley, the research laboratory of the National Aeronautics and Space Administration, and is chief of the Viking project. He offered the three contestants for the main contract terms which said that 5 per cent. of the payment would take the form of an "award fee" dependent on the quantity and quality of the data gleaned by the robots.

Had the Vikings landed but returned no data, the contract winner, Martin-Marietta, would have earned no award fee. On a $500m. contract spread over seven or eight years, it would have lost $25m.—most of the profit it could expect to make. "Just amazing, its influence," says Martin. "A very beneficial part is that it forces you to get together with the contractor." The company president himself attended every major progress meeting. Martin-Marietta then applied the same terms to its own major subcontractors, for contracts of the order of $30m.-$50m.

The final pay-off takes place early next year. Scientifically the venture has been a resounding success. Martin believes the company will finally show a 7-8 per cent. profit, "for an aerospace project, not too bad." But another valuable prize could turn out to be Dr. Martin himself who, finding NASA short of big new aerospace projects to manage, is now joining Martin (no relation) Marietta as its vice-president in charge of advanced programmes and planning.

Stout rebuff

The season of goodwill is not yet recognised by the brewing industry. The sound of squabbling is loud north of the border, where they have tuned up for Christmas with a good row between Belhaven Brewery and Vaux Breweries.

It started with a perfectly ordinary trading arrangement between Belhaven, which is a subsidiary of CCH Investments, and Lorimer's Breweries, the Vaux business in Scotland. Belhaven was to supply its milk stout to the Lorimer's pubs and in return give Lorimer's a chance to sell some of its beers through the Belhaven outlets.

Trouble started when CCH Investments put out a statement which mentioned only that Belhaven Stout was to go into another 185 pubs without stating the quid pro quo. But what upset Vaux most was that CCH said the Belhaven beer was to go into pubs owned by "Usher Vaux Breweries." Vaux has spent a great deal of money in recent months in killing off the Usher Vaux name in Scotland, replacing it with that of Lorimer's.

The upshot was a somewhat heated telephone conversation between Paul Nicholson, chairman of Vaux, and Gordon Currie, chairman of CCH, followed by an announcement from Vaux that "Lorimer's will not be proceeding with the proposed arrangement."

Following the gas around

Why will a group with a world business as a process plant contractor also, this morning, be carrying out a £3m. contract modernising ancient council tenements in Yoker, Glasgow? Just a matter of chasing all logical markets, they say at HGS, a subsidiary of Humphreys and Glasgow, the business founded in 1892 by Dr Alexander Humphreys and Dr. Arthur Glasgow to build gas plants.

It built plenty, moving from coke to gas processes to oil to gas, with the business of building British gas plants taking the turnover up towards £100m. a year when in 1967 along came natural gas. Out went Humphreys and Glasgow's primary market, as it did with resulting traumas for other big gas contractors like Woodall-Duckham and Power-Gas. There were all sorts of other process plants to build — chemical, petrochemical, oil, fertilizer, pharmaceutical and other plants —but the change left a large hole. Woodall-Duckham and Power-Gas are now part of larger groups and Humphreys and Glasgow (private, and controlled by Irish engineer Ambrose Congreve who married a Miss Glasgow) got down to a £16.5m. turnover in 1970 and losses from 1972-74.

"Take a 'Letter of intent . . . Dear Santa!'"

Since then the process plant business has revived (group turnover of £62.5m. last year) and so has HGS, the subsidiary formed in 1967 when, with no more town gas plants to build in Britain, the decision was taken to go for the conversion contracts for natural gas. HGS did well enough, second to William Press in total conversion contracts won, but then conversion contracts started to run out.

So in 1970, HGS, its engineers having accustomed themselves to something smaller than process plants, went into electrical and mechanical engineering, putting heating, air conditioning, and plumbing into factories; Ministry of Defence establishments and, lately, a new prison. That provided an £8m. turnover for HGS last year, and most of the rest of a £16.3m. total came from house modernisation. That business started in Whitby, where HGS was converting to natural gas while the council was modernising the same houses. It had trouble on the building contract, and asked HGS to take over the whole operation.

Purrfect timing

So this is a recession? Spillers is launching a turkey recipe cat food—"No excuse now for leaving your pet cat out of the festivities," they gush, adding that this vital product will be given "a major lift-off before Christmas" with 17m. money-off coupons offered.

Observer

FINANCIAL TIMES SURVEY

Monday December 6 1976

EUROPE

As 1976 draws to a close, Western Europe's economic and political prospects are profoundly uncertain. The European Community is drifting aimlessly and has no coherent strategy to face the threat of a further oil increase and renewed recession. But more countries still want to join the club.

In a sea of troubles

By Reginald Dale, European Editor

ALMOST EXACTLY three years ago, the Nine's Copenhagen summit ended in misunderstanding and disagreement. Faced with their biggest ever direct external challenge—the Arab oil embargo—the Nine showed the world they were incapable of rising to the occasion. Not only did the Heads of Government fail to act—by their indecision they set the scene for months of further divisive wrangling over energy and internal regional policies. Overnight, the long cherished view that the Community needed an outside threat to unite lost most of its adherents.

Three years later, as 1976 draws to a close, it is hard to say that the Nine have learned very much from experience. With the world once again facing what may be an important oil price rise and the threat of renewed recession in the coming months, the Nine are showing little greater capacity for united action. Despite the continued exhortation that "we must never repeat Copenhagen," last week's summit in the Hague ended in gloom and indecision. It is true that, unlike Copenhagen, no concrete decisions were meant to be taken in the Hague. But that hardly justifies a general attitude which can best be summed up as: "the future is so uncertain there is no point in us trying to do anything about it."

Rather than examining if it were possible, by whatever means, to avert or moderate an oil price price increase, the Nine preferred to sit back to see how big it was going to be. Instead of taking an initiative in the vital dialogue with the developing countries on a new world economic order, they decided to wait for the formation of the new Administration in Washington. It will also, it seems, be up to President Carter to head off the danger of recession. Despite pleas from the weaker countries, Germany and the Netherlands made it clear they cannot afford to reflate in their partners' interest, and nobody was able to come up with any other acceptable proposals.

After the meeting, the usual excuses were immediately heard. The talks had been badly prepared and badly chaired. There had been too many officials around and too many pieces of paper. But beyond that an increasing number of people are now asking whether the whole institution of the European Council — the thrice-yearly meetings of the Nine Heads of Government — is really working in the way originally intended. President Giscard d'Estaing of France, the originator of regular Community summits, clearly thinks that it is not, and he plans to circularise his colleagues with proposals for streamlining the system. But fiddling with the number of officials present at European Council meetings is not going to induce Heads of Government to take decisions if they do not want to do so, and there is little indication at the moment that any of the Nine's more important leaders really want to take major steps forwards at European level.

Even if they did, there is no agreement on the direction in which the Community should now try to proceed. The Tindemans's Report on European Union, with its multitude of proposals for short- and medium-term action, has been quietly buried without even the dignity of serious debate. While attacking the Belgian Prime Minister's proposals, no other leader has come up with a single viable alternative. The Duisenberg Plan for relaunching economic and monetary co-operation seems to have suffered a similar fate. After the visionary enthusiasm of the 1950s and the solid economic successes of the 1960s, the Community quite simply seems to be running out of steam—and none of its major members with the possible exception of France, appear to mind.

Most of them, of course, are distracted as almost never before by national issues. Britain is desperately struggling with one of the worst economic crises in its history, and the Community as such is not going to be of much help. Italy, quite apart from its economic problems, is tottering on the brink of profound political change, with the Communists only a hair's breadth from power. In France, President Giscard d'Estaing, who remains a "European," is caught uncomfortably between a strengthening Left and a re-grouping Gaullist Party to his right. In the crucial campaign for the 1978 elections, Europeanism may even be a disadvantage. The more he is tinged with "supranationality," the more ammunition he provides to both Gaullists and Communists alike. He has enough on his hands trying to steer plans for the direct election of the European Parliament through the French political system without trying to defend any additional Community commitments.

Germany is not faced with similar problems. Indeed Herr Schmidt's main worry recently has been a swing to the right in public opinion, which remains basically pro-European—a development causing equal anxiety to his Socialist neighbour. Prime Minister Joop den Uyl of the Netherlands, who faces a difficult election in May. But Herr Schmidt has little time for Brussels and its traditional approach to European integration, preferring to operate in the broader context of the Atlantic Alliance. Like the present British Government, he is impatient with the continuing efforts of the EEC's smaller countries to forge a more closely knit Community, although Germany at least continues to pay lip service to European Union.

By the end of his country's six-month Presidency of the Community in June, M. Gaston Thorn, the usually even-tempered Prime Minister of Luxembourg, was in a mood of bitter frustration and despair. So far, however, he has not pushed ahead with plans to form a dissenting minority of smaller countries inside the Community who would be prepared to protest openly when their larger partners blocked progress. The traditionally "European" Dutch who succeeded him in the Council chair have fared little better. The original Dutch intention was to organise a major step forward towards political integration at the Hague summit. By October they were admitting they could find absolutely nothing all Nine countries were prepared to agree to beyond a compromise formula for the European passport. In the event, even that failed to materialise.

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Faith

Apart from the Benelux States, it is two non-member countries, Greece and Portugal, that have been showing the most touching faith in the Community's future in recent months. Greek Ministers have even been heard to describe the formation of the Community as "the most important historical event of the 20th century," and the Athens Government is pressing hard to become a full member as soon as possible—the Greeks see no reason why they should not be in by January 1, 1979. Portugal is widely expected to lodge a formal application to join after Dr. Mario Soares, the Prime Minister, has completed a tour of EEC capitals in the New Year.

In both countries there is a strong political as well as an economic motivation. This is the belief that Community membership will help to buttress the fledgling democratic regimes in Athens and Lisbon against authoritarian takeover by either left or right. In Athens there is the additional conviction that the country will be better able to stand up to Turkey as an EEC member, although this is not said too openly. The Nine do not want to find themselves mixed up in a Greek-Turkish dispute, and have so far shown little sign of willingness, or ability to mediate.

Nor have the Nine given any serious thought as to how their Community will work once it is enlarged to 11 members—or 12, if Spain follows suit with a successful entry bid. The irony is that Greece, by opening the Community's door to the South, may in fact be undermining the prospects for the closer European integration that Athens so strongly desires.

The entry of new Mediterranean members can only widen the economic divergence in the Community that is now widely believed to be the main barrier to greater economic, and political integration. Even in the present nine-nation Community the gap is still increasing. If Spain comes in too, there are many people in Brussels who believe that the strain on the

CONTINUED ON NEXT PAGE

ADVERTISEMENT

Making the most of local energy sources

GREECE'S ELECTRICAL ECONOMY ENTERS A NEW PHASE

of progressive development while the groundwork is laid for the first nuclear power station to be incorporated into the Public Power Corporation's system in 1986.

1976 was a decisive year in the further development of Greece's electrical economy with the establishment of a long-range programme which, in its first phase, covers the 1976-1986 decade and after.

The year also marked a noteworthy recovery in Greece's electrical economy after the difficulties caused by the world energy crisis. Total electricity produced in 1976 is estimated at 16.2 billion KWH representing an 11% increase over 1975. The increase in 1975 over 1974 had been only 6.5%.

Today, the Public Power Corporation's interconnected grid is supplied, among others, by 13 lignite-fired units with a total nominal power of 1,850 MW and a potential consumption of 23 million tons of lignite per annum for a production capacity of about 12 billion KWH. There are also 8 hydroelectric stations with 22 units representing a total installed power of 1,411 MW and a production capacity of 3,860 million KWH per annum.

In 1976, according to results achieved so far, total electricity produced from lignite during the whole year is estimated at about 9 billion KWH which is more than 55% of total production. The balance is expected to be covered, 11% by hydroelectric power (1,750 million KWH) and 34% by oil-fired units (5,520 million KWH).

Progress was also made during 1976 in bringing electricity to remote settlements in the Greek countryside as a result of which 98.5% of the country's total inhabitants are now served.

Moreover, per capita consumption in 1976 is expected to reach 1,690 KWH.

● THE 1976-1986 ENERGY PROGRAMME

In order to cover electrical energy requirements from 1976 to 1986 and in line with the policy of reducing the use of oil in electric power production, the PPC is giving high priority to making the greatest possible use of local sources of energy.

Independently of the intensive search for new lignite deposits in various parts of Greece the development of the new lignite mine of the Ptolemais South Field is being speeded up. This will help to broaden the exploitation of the extensive lignite deposits in the Ptolemais area which are calculated at 1.4 billion tons.

The lignite-fired power station at Kardia, Ptolemais with two 300 MW units. Seven more 300 MW units are to be added by 1985.

Contracts signed by the PPC with West and East German technical firms during the last months of 1976 will result in the creation, at Ptolemais South Field, of one of the most modern lignite mines in the world, in terms of equipment and organisation. Its production, in the first phase, will feed two lignite-fired units of 300 MW each, the construction of which has been undertaken by a Soviet technical organisation in co-operation with West German technical firms. They will be the III and IV Units of the Kardia Station at Ptolemais which were ordered last November and will be ready in 1980 and 1981 respectively. Each one of these units will consume 3,800,000 tons of lignite per annum and will produce about 2bn. KWH.

The main field of the Ptolemais lignite mines which supplies the PPC's power station.

● FIVE MORE LIGNITE-FIRED UNITS OF 300 MW

The 1976-1986 programme also provides for the installation in the same area of five more lignite-fired units of 300 MW each as well as the creation of a new station. Calls for tenders for these units will be issued at the rate of one per year, starting in 1977 for the first unit and ending in 1981 for the fifth unit scheduled to operate by 1985/86.

Thus, the Ptolemais Energy Centre will have three power stations. The first, which started in 1959 with one 70 MW lignite-fired unit, now has 4 units with a total power of 620 MW. The second, at Kardia, with 4 units and a total installed power of 1,200 MW and the third, with 5 units and a total power of 1,500 MW. The Ptolemais Energy Centre will have a total installed power of 3,320 MW with a potential consumption of about 42 million tons of lignite and a production capacity of about 22 billion KWH per annum.

● A FOURTH 300 MW UNIT AT MEGALOPOLIS

The 1976-1986 energy programme also calls for the installation of a fourth 300 MW unit at the Megalopolis Station where three other units are now operating with a total power of 550 MW. Calls for tenders for this unit will be issued in 1977. The usable lignite deposits at Megalopolis are calculated at 500 million tons.

● THE POURNARI HYDROELECTRIC STATION

In 1976 also, contracts were awarded to Greek and foreign firms for the construction of various sections of the Pournari hydroelectric project on the Arachthos river as well as for the supply and installation of electro-mechanical equipment of the three units of 100 MW each. The Station, which will have a production capacity of 500 million KWH per annum, is scheduled to come into operation in 1979/80.

● SEVEN MORE HYDROELECTRIC STATIONS

In line with the more general effort to exploit the hydrodynamic potential of Greek rivers, there are plans for building seven more hydroelectric stations by 1986, in addition to the Pournari station, with 15 units totalling 1,257 MW. These new stations will exploit, at the first stage, the waters of the Mornos, Aoos and Nestos rivers; at the second stage, the waters of the Aliakmon river and at the third stage, the waters of the Acheloos river.

It is expected that up to the year 2000 there will be enough scope to exploit more of the hydrodynamic potential of Greek rivers with the construction of more hydroelectric stations to cover peak consumption periods and for the creation of pumping stations which are considered indispensable in conjunction with the nuclear stations to be built in Greece.

When the above-mentioned projects are executed, the production of electrical energy in 1986 will take on a new aspect based on an increase of lignite-fired and hydroelectric power generation and a corresponding reduction in oil-fired production.

More specifically, the forecast for 1986 is that the PPC's Inter-connected Grid will produce 37.5 billion KWH, representing a 150% increase in the next ten years over the 1976 figure. Of this production, 25.5 billion KWH (about 68%) will come from lignite; 4.32 billion KWH from water power (about 12%); 7.28 billion KWH from oil (19%); and 400 million KWH from nuclear power (1%).

It should be noted that the 12% to be produced by hydroelectric stations has been calculated on the basis of critical hydrological conditions. In an average year, however, water power could cover 15% of production with a corresponding reduction in the output of the oil-fired stations.

● FINANCIAL DATA

The Public Power Corporation, as the sole producer, carrier and distributor of electrical energy in Greece, is today the country's largest technical and financial organisation. When the PPC was instituted in 1950 it had been financed by the Greek state with a founding capital of $125 million. In 1975, the PPC's total assets amounted to $2,308 million while in 1976 they are expected to be worth $2,504 million.

The PPC's net fixed assets in 1975 were valued at $1,989 million and will be worth $2,177 million in 1976.

Sales of electric energy in 1975 totalled 13,667 million KWH and are expected to rise to 15,000 million KWH in 1976.

Revenues from the sale of electric current in 1975 were the equivalent of $419 million and are expected to amount to $493 million in 1976.

● THE INVESTMENT PROGRAMME

The PPC's investments in production, transmission and distribution works in 1976 totalled $297 million.

Similar investments during the next five-year period from 1977 to 1981 are expected to exceed a total of $3,000 million.

● ENERGY PROJECTS WORTH $460 MILLION

A good indication of the dynamic policies of the PPC is the fact that this organisation—which now employs 26,000 salaried personnel—has launched one of the country's largest development projects worth $460 million with the contracts signed in the space of three months, referred to above and concerning the new Ptolemais South Field lignite mine, the two new steam-electric units for the Kardia station and the Pournari hydroelectric project—all of which are to be completed by 1981.

Another example of the PPC's dynamic quality is its credit standing in the international capital market, not only in cases where the financing is linked to specific contracts with foreign firms supplying materials or equipment or with contractors executing large electrification works in Greece, but also in the free and direct financing of its investment programmes. Thus, on October 12, 1976, an agreement was signed in London for a direct loan to the PPC of $75 million to cover part of the expenses of its energy investment programme in 1976. This loan was made by a group of banks headed by the Bankers Trust Company.

● THE NUCLEAR AGE

The most important decision which opens new vistas for Greece's energy economy is the one taken last November by the Greek Government for the use of nuclear power on a broad scale after 1986, for the production of electrical energy. This production will cover ever-increasing requirements in subsequent years, combined always with the exploitation of local resources such as lignite and river waters.

The decision was taken in the light of the knowledge that by 1985, these resources will have been exploited to the full, as far as can be ascertained at the present time, and that there will not be much scope, particularly with regard to large lignite deposits, for the addition of more basic-load lignite-fired stations.

Of course, for at least twenty years beyond 1985, the operation of the lignite-fired stations installed up to that time will continue. But the lignite deposits which feed them will be progressively exhausted with no prospect of replacing them with another local source of energy. This fact leads to the conclusion that new basic-load stations to be built in Greece after 1985 must use either oil or nuclear energy. And because oil-fired stations are today considered uneconomic, even if large oil deposits are discovered in Greece in which case they could be used more effectively in other ways, the solution of nuclear power stations is the only one indicated.

On the basis of these facts, the PPC has already laid the groundwork for the installation in Greece of the first nuclear station of 600 MW with the prospect of incorporating it into the system in 1986/1987. The PPC will be responsible for the study, the supply and the installation of the nuclear power station—a project which is expected to take about ten years to complete.

FOREIGN POLICY — EURO[PE]

External ties are still strong

Men with something to talk about: President Valery Giscard d'Estaing [and] Chancellor Helmut Schmidt at last week's EEC summit in The Hague

ONE OF the Community's few major success stories of recent years has been the development of its trade and economic relations with the outside world. The Six's Yaounde Convention has been transformed into the Nine's Lomé Convention, linking the Community with almost 50 developing countries in Africa, the Caribbean and the Pacific. Trade pacts have been signed with countries from Latin America to Asia, while in Europe there is a reasonably trouble-free relationship with the countries of EFTA, and the Mediterranean free trade policy is progressing slowly but fairly steadily. For those without special links with the Community, the generalised preference scheme, though far from perfect, is regarded in Brussels as one of the EEC's major achievements.

Among the industrialised countries, relations with the U.S. are healthy. There is the usual crop of minor trade irritants that are bound to be a continuing feature of a relationship between two such powerful trading blocs, but the regular six-monthly consultations between Brussels and Washington seem to be doing a good job. The Canadians have just signed a new form of co-operation agreement with the Community, and while Australia and New Zealand are still unhappy with the Common Agricultural Policy, there have been no major rows. The Chinese decision to open diplomatic relations with Brussels was a major coup—a move clearly resented by Moscow, which continues to refuse to recognise the Community officially.

There are, of course, black spots. Relations with Japan are going through a difficult period owing to the ever more one-sided pattern of Japanese-EEC trade. Nearer home, the Community only recently seems to have woken up to the inevitable consequences of its ungenerous treatment of Yugoslavia, which is obliging the country to strengthen its economic links with Comecon, while Turkey's general disillusionment with the West is being compounded by the Community's failure to improve agreement with Ankara.

Clamouring

On the other hand, Greece is clamouring to become a full EEC member as soon as possible and Portugal is expected to make a formal entry application in the first half of next year. Spain would like to follow suit—although the Nine will want to see Madrid advance a good deal further towards genuine democracy before considering its case. Malta and Cyprus are considered possible candidates further down the line. In short, as the Commission likes to emphasise, despite its internal weaknesses, the Community continues to act as a major "pole of attraction" in the world at large.

The discrepancy between the Community's progress in external relations and its failure to develop internally has often been remarked. It is, of course, much easier to progress externally. Member governments have shown themselves far more willing to give Brussels control over their external trade relations than over their exchange rates or domestic economic policies. And whether the Community is a European Union or a simple free trade area, the rest of the world will continue to be attracted by the sheer scale of its internal market, and the wealth that it can distribute via aid and trade preferences.

Nevertheless, more and more people are now asking whether the Community can continue to increase its influence in the world, going beyond the signing of trade pacts, if it does not develop into a more cohesive unit internally. The more "European" governments, like the Dutch, believe that it cannot. In the long term, they believe, the Community's world role can only be based on internal strength. Similar views can be heard in the Commission, where it is claimed, for example, that the Community would find it much more easy to negotiate with Japan if it were an economic and monetary union, given that a major element of the problem with Tokyo is monetary, whereas the present Community is only competent to discuss commercial issues.

Such views are not shared by the less "European" Governments, notably the British, who argue pragmatically that the Community has done well enough in its external relations over the past few years without internal progress, and there is no reason why it should not continue to do so. Mr. Anthony Crosland, the British Foreign Secretary, has said that his main reason for favouring British membership is the external influence of the Community rather than the internal economic or political consequences for the U.K. Like his predecessor, Mr. James Callaghan, he sees the Community's efforts to co-operate not only on trade, but also on foreign policy as perhaps the most important aspect of its activities.

Foreign policy co-operation has certainly grown enormously in scope in recent years, with the development of a new consultation machinery alongside the Community's existing institutions. The Nine's Political Committee now meets as often as once a month, and Foreign Ministers meet four times a year for foreign policy consultations. The Nine's embassies try with varying degrees of success to co-operate in the field, and the country holding the Presidency of the Community has gained a growing role as spokesman and diplomatic initiator. The Nine nearly always, though not invariably, vote the same way in the United Nations, and there have been some successes in organising joint recognition of new regimes and adopting joint declarations on issues such as the Middle East and Southern Africa. The Nine worked well together in last year's Helsinki Conference on Security and Co-operation in Europe.

But the Nine's attempts to speak with "one voice" have been far from universally successful. Where nuts and bolts economic and financial issues are involved, rather than pure diplomacy, it is a different story. The Community made an appalling showing at the Nairobi UNCTAD Conference in May, delaying the whole meeting by its internal divisions, and the Nine are still split on most of the issues raised by the negotiations for an integrated commodity programme in Geneva and the North-South "dialogue" in Paris. The Nine takes a common stand in Geneva multilateral trade negotiations, because trade comes under the Commission's competence, but not in the IMF, because Governments still retain control over national economic and monetary policies. There is an aggrieved outcry from the smaller members every time the bigger countries club together with the U.S. and Japan for gatherings such as those held recently in Rambouillet and Puerto Rico.

Even when it succeeds in agreeing a joint foreign policy declaration the Community lacks clout. The positions it takes on the Middle East or Southern Africa, though of political interest, are not going to alter the situation on the ground — those of the U.S. or the Soviet Union usually are. This is, of course, a question of power. The Community has no joint armed forces or nuclear capability — nor would it necessarily want to use them in the Middle East or Africa if it had them. But the Nine's foreign policy decisions also often seem to be taken in a vacuum, without regard to the economic power that [the Com]munity most certain[ly] have.

One reason for this pedantic distinction th[ey] continue to make betw[een sub]jects covered by the Treaty, such as trade, w[hich are] discussed by the Cou[ncil of] Ministers, and non-Trea[ty sub]jects, such as foreign [policy,] which are discussed by th[e] Ministers, but as represe[ntatives] of Governments not as a [Coun]cil. Thus while trade pref[erences] for Middle Eastern co[untries] under the Mediterranean [policy] are discussed in the C[ouncil,] the Nine's political attitu[des to] the same countries are dis[cussed] quite separately and und[er dif]ferent institutional proced[ures.]

Absurdity

There is, of course, a[n im]portant political reason fo[r this] apparent absurdity. France[, and] now Britain, accustomed to [play]ing a world role in the [past,] want to maintain maximum [free]dom over their own foreign [poli]cies, and co-operate with others only when it suits th[em.] Both countries have vigoro[usly] opposed the suggestions in [the] Tindemans report that fore[ign] policy decisions should be s[ub]jected to majority voting. [But] Britain at least shares [Mr.] Tindemans's view that [the] formal distinction betw[een] Political Co-operation disc[us]sions and Council meetin[gs] is irrelevant and should [be] abolished. The line is in a[ny] case becoming increasin[gly] blurred in practice. It w[ould] be a useful service to the Co[m]munity if the U.K. could organise the system during [its] forthcoming first turn in [the] Presidential chair.

Reginald Da[le]

Troubles

CONTINUED FROM PREVIOUS PAGE

Common Agricultural Policy, one of the main motors of integration in the 1960s, will prove too much. This, of course, is one of the reasons why some of the more cynical officials in Whitehall welcome the Community's prospective enlargement.

Equally, if the Community finds it so difficult to take decisions with nine members, how is it going to manage with even more? The chances must be even more heavily weighted towards the development of the sort of Europe outlined by General de Gaulle in the "Soames affair" of 1969—a glorified free trade area with decisions taken by a nucleus of the major countries, the so-called "directoire." There are those who argue that the Community has already reached this stage, with the only difference from the General's plan being that the "directoire" is not working. Certainly, following M. Giscard d'Estaing's visit to London this summer, the framework at least of a triangular system of regular consultations between Bonn, Paris and London has now been put in place.

If traditional "Europeans" are still capable of optimism, they are now pinning their hopes on the direct election of the European Parliament, still due to start in the early summer of 1978, over 20 years since the plan was first endorsed by the Treaty of Rome. While finally giving the green light to direct elections, the Heads of Government have also made it clear that no extension of the Parliament's power is involved—mainly to pacify nationalist feeling in France and Britain. But one consequence of the Heads of Governments' failure to take any other decisions on Europe's future may actually be to force the Parliament into a leadership role. Certainly, once they are directly elected the new generation of Euro-MPs are going to make much more insistent demands for greater authority. But they may be too late to save much of the original grand design.

Family still growing

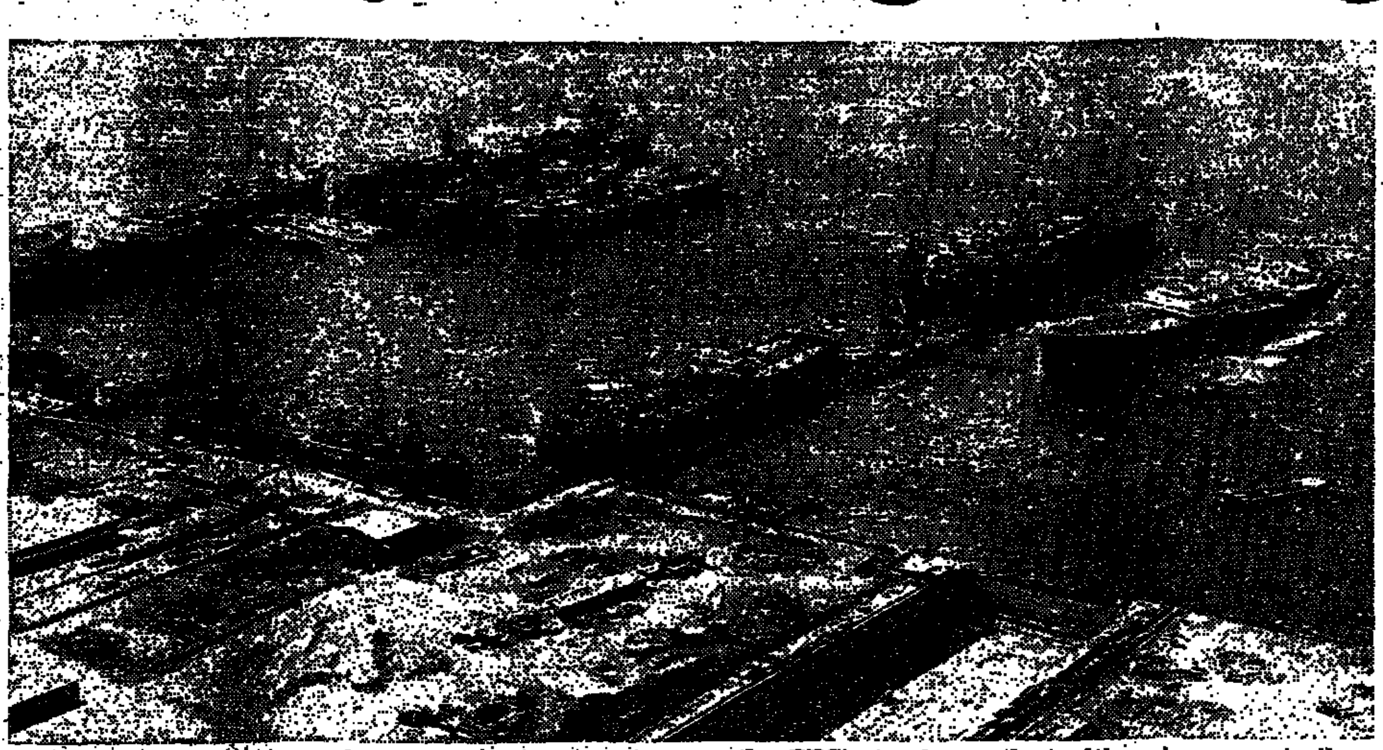
LESS THAN four years after its enlargement from six countries to nine, the European Community is now embarked on preparations to admit Greece as its tenth member. Formal entry negotiations with the Greek Government began last July and, on the present timetable, look as if they could be completed in time to permit accession by early 1979.

The push for negotiations has come much more from Athens than from Brussels. Politically, the Karamanlis Government sees EEC membership as a guarantee of internal stability following the overthrow of the military junta, and of independence from both the U.S. and the Soviet Union. Economically, it looks forward to benefits from integration into a larger unit, increased foreign investment and a transfer of resources from the EEC's wealthier members.

The response among the Nine has been hesitant, to say the least. Only France has exhibited any real enthusiasm for bringing Greece into the Community, and most of the other eight have uneasily added their assent. Greece has not shrunk from applying the diplomatic screws whenever the outcome has seemed in doubt: a proposal by the EEC Commission that it should be granted special "pre-entry" status to prepare for full membership provoked such an angry reaction from Athens that it was quickly dropped by the Council of Foreign Ministers.

Instead, the Greek Government has itself proposed a five-year transition period following accession in which to make the needed adjustment. This is the same as agreed for Britain, Denmark and Ireland, and it is not yet clear whether, in view of Greece's relatively lower level of development and structural economic problems, it will be long enough.

As the Greek Government is quick to point out, its economy has grown rapidly in recent years, averaging 6.3 per cent annually between 1962 and 1975, compared with 3.8 per cent for the Nine over the same period.



Preparations are now under way for Greece to become the EEC's tenth member, although economically the country has much ground to make up. Above: the Hellenic Shipyards dock at Skaramanga.

But it has also had a lot of catching up to do, and has not yet succeeded in eliminating a number of structural imbalances.

Over one third of Greece's population is employed in agriculture (compared with less than 10 per cent in the Nine). For the most part, this sector is inefficiently organised into smallholdings averaging only 3.5 hectares, half the EEC average. Though Greek farmers will undoubtedly benefit from high EEC price levels, agricultural modernisation will require both considerable investment and time.

In terms of manufacturing industry Greece has had some successes, notably in petrochemicals, metals processing and textiles. But in proportion to the economy as a whole the sector remains relatively small and some parts of it, notably the fledgling steel industry, will need special transitional arrangements to adjust to the EEC. There are also significant mineral reserves, including bauxite, nickel and copper, though outside investment will be needed to ensure their development.

On the other hand with a 1973 per capita gross domestic product of $1,790, Greece is not all that far behind Ireland, the poorest of the Nine, with a per capita GDP of $2,130. Moreover, it has already gone a good way towards integrating itself into the EEC's customs union under its 15-year-old association agreement with the Community. All Greek exports to the EEC enter duty-free, while no duties are levied on about two-thirds of Greek imports from the Nine.

In a tentative appraisal earlier this year, the European Commission estimated that Greek membership would involve a net cost to the EEC budget of about £120m. a year, most of it in the form of agricultural, regional and social aid. On the face of it, this is a modest burden: by comparison, it is roughly a quarter of what the EEC would spend in a full year to subsidise British food imports at the recent sterling exchange rate.

But those in the EEC who have advocated a cautious response to Greece's membership of the EEC are not primarily concerned with the budgetary costs involved. The question in their minds has to do, rather, with the unquantifiable implications of further enlargement on a Community which is already showing signs of internal strain and lack of direction.

Weakened

First of all, on the external front Greece's membership implies a deeper involvement in the political problems of the eastern Mediterranean, for which the EEC is by no means prepared. Entry negotiations have begun with the situation in Cyprus still unsettled, and whatever powers of persuasion the EEC may have with Turkey have been weakened by the recent chill on relations between Brussels and Ankara. Moreover, Greece is bound to feel the repercussions of any upheavals in Yugoslavia after President Tito goes.

Internally, there can be no doubting the sincerity of the Greek Government's desire to play a constructive role in promoting European integration. But there is an obvious risk that enlargement of the Community will entail a dilution of its political institutions. It is hard to believe that the problems which nine governments are now experiencing in reaching common decisions will be made any easier by the addition of a tenth.

But perhaps most serious of all is the threat that the admission of a new and relatively poor country will hasten the development of a "two-tier" Community proceeding at separate speeds. As it is, EEC co-operation has already been stretched thin under the impact of growing disparities in economic growth rates, inflation and currency values among the Nine.

Cohesion can only be restored after these divergencies are eliminated, or at least sharply reduced. But West Germany, the only member with the economic muscle to effect a significant transfer of resources from the prosperous to the poorer countries, continues to baulk at doing so and there is no reason to believe that it will change its mind radically after Greek entry.

The unsettling prospect is thrown into still sharper relief by the fact that Greece is not alone in seeking membership. Portugal is already banging on the Community's door, and may submit a formal application for membership by next spring, while Spain is also showing increasing signs of interest.

Both prospective applications pose considerable economic problems. Portugal is even poorer than Greece, having a tiny industrial sector, and would need proportionately more economic assistance to adjust to EEC levels over a transition period of up to 15 years. Well aware of these considerations, the Greek Government is fiercely resisting any suggestion that its application be linked with Portugal's.

The Spanish economy can boast a more advanced level of industrial development, though its once rapid growth rate has fallen sharply and it has a serious inflation problem. But the real difficulty likely to arise in entry negotiations would be over Spain's sizeable agricultural production, which, in a number of areas, would provide keen and unwelcome competition for France and Italy.

In anticipating additional EEC entry applications, there is little more that the European Commission can do than ensure that no precedents are set in negotiations with Greece that would tie its hands in negotiations with future applicants.

But this is a poor substitute for the kind of longer-term thinking that is needed inside the Community if it is to face up to the challenges which enlargement poses to its own future development. Sad to say, there is no sign so far that the Nine are prepared to come to grips with the issues involved, though there is no shortage of Cassandras to warn of the possible consequences if they fail to do so.

Guy de Jonquieres
Common Market Correspondent

DEFENCE

NATO pulls itself together

THE BALANCE sheet for European defence over the past year or so is extraordinarily complicated. On one side there has been a number of gains, some of them unsuspected even a year ago. On the other there has been the continuing Soviet military build-up, an adequate response to which will place severe burdens on western resources for many years to come. There has been no progress at all on arms control, let alone disarmament, as both NATO and the Warsaw Pact simply waited for the American elections.

It is the growing awareness of the extent of Soviet military power which has been responsible for NATO pulling itself together. A few years ago the Soviet Union was primarily a land power. By now, as Soviet exercises and deployments have made plain, it has developed a capacity for military intervention way beyond its own territory. The Soviet Navy, for example, has changed from a coastal fleet to a force deployed across the oceans. Soviet aircraft ferried men and equipment into Angola, an area that a few years ago would have seemed well beyond the Soviet reach. At the same time, there has been no let-up in the qualitative improvements of Warsaw Pact forces in Central Europe.

Reaction

The reaction in NATO has been a realisation that not only could its own defence expenditure not be cut, but that in many areas it would have to be increased. In a number of countries this has actually happened. In 1973 defence expenditure in West Germany (including aid to West Berlin) was 4.1 per cent. of GNP. Last year it was 4.4 per cent. In France, if present plans are realised, defence spending will rise to about 5 per cent. of GNP by the early 1980s after only 3.5 per cent. in 1973. The trend towards reduced defence expenditure in the U.S. has also been arrested. Britain, with its recent series of defence cuts and the possibility of more to come, is the exception rather than the rule.

There has also been a concerted attempt to use existing resources more efficiently and to reduce wastage. Standardisation and interoperability of equipment have become key phrases both in NATO as a whole and at the European end of the Alliance. Indeed it is among the Europeans themselves that some of the more striking progress has been made. Although it is too early to make anything like a definitive judgment, few would have predicted a year ago that France and the other European members of the Alliance would now be working together on future European defence procurement programmes.

This has come about through the formation last February of the European Programme Group (EPG). Its origins lie in the fact that France had always declined to join the ten-nation Eurogroup — which was set up in 1968 to increase European co-operation in NATO — on the grounds that it smacked too closely of association with the U.S. Yet the French had also come to the conclusion that without some form of European co-operation on armaments questions there was a danger that the French armaments industry would lose out. The conclusion was strengthened when four European countries jointly chose to buy an American rather than a French aircraft in succession to the Starfighter. The result was the EPG, initially known as the IPG or Independent Programme Group. Although the "I" has now been dropped, the idea of the Group being independent — which means independent from the U.S. — remains important to the French.

The EPG began by member countries submitting lists of their expected defence equipment requirements over the next 10-15 years. It then moved on to see how far these requirements could be met by joint procurement programmes, the aim being to ensure some standardisation of equipment, but also that a company or country undertaking a particular defence production project would have a chance of a reasonably long production run—and therefore cost-saving—because it would know it would be bought not just by its own armed forces. Questions of financial compensation for companies or countries obliged to give up production of a particular weapon or system in interests of European rationalisation have also been studied.

It remains too early to tell how successful the EPG will be. Most of the major decisions have still to be faced. For example, would (say) France or Britain agree to abandon production in a certain area in the full knowledge that that would mean an increase in local unemployment? Again, the EPG, however independent in theory, will ultimately have to come to terms with the U.S. Does Europe seriously intend to compete with the U.S. armaments industry in all fields? If it does not, will it accept a subsidiary role in which Europe makes the small stuff and the U.S. the big? And even if Europe were prepared to be a subsidiary in defence production, how far would the U.S. be ready to ensure that sufficient contracts come Europe's way in order to make the arrangement economically attractive?

Logic

These are the age-old questions of the Alliance. How far is it a relationship between equals —twin pillars, as the word once was, on either side of the Atlantic? And yet events sometimes have their own logic. The emergence of the Soviet Union as a global power compelled all members of NATO to take the Alliance more seriously. The loss of defence orders to the U.S. compelled the French to think the unthinkable and join more actively in European defence co-operation. This in turn has led to the idea of a European Defence Community being floated more practically than at any time since the early 1950s. A joint European procurement policy would begin to compel a common industrial policy, at least for the defence industries. It might be the back door to European integration, and it is not absolutely inconceivable that it could be achieved in co-operation with, rather than in opposition to, the U.S.

There have been other, not unrelated plus points too. Little more than a year ago it seemed possible that Portugal might move out of the Alliance. It has come back to a rather closer co-operation than in the days when it was a colonial power. Relations between Greece and Turkey have not deteriorated to the extent that they might have done. Indeed it has become clear that both countries are more than anxious to maintain their NATO connections, if only a way can be found of resolving their bilateral disputes. There is also the possibility of NATO being joined by a democratic Spain, which could make a not inconsiderable contribution to Atlantic defence. There is no such possibility of a willing new ally for the Warsaw Pact.

Yet if the prospects are by no means as bleak as they have sometimes been painted and the European balance of power can be theoretically maintained, it remains that it will require a great deal of political will and a great deal of money to do so. Each new defence project tends to become progressively more expensive than that which it is intended to replace. It has been estimated, for example, that the cost of a new fighter aircraft can be up to 20 times greater, in real terms, than it was 20 years ago. Whether there has been a corresponding increase in effectiveness is open to doubt. Even more serious is the fact that there is as yet no official forum for discussing how far it is worth while merely to go on refining old defence concepts—producing more and more expensive tanks and aircraft to the point where the costs become prohibitive.

It may be some consolation that defence costs are also a problem for the Warsaw Pact. In defence the Soviet Union is an imitative power. Most of its weapons systems that are now being deployed are the result of investment decisions that go back to the early 1960s. It is nearing the end of a cycle. It too has other demands on its resources.

That basically is the case for a renewed western attempt at arms control once President Carter is in office. Theoretically, the west can win an arms race. But the cost will be terribly high and there may always be doubts about the political will. Yet the fact that if there is to be a new arms race, the Russians will have to undertake a whole new investment cycle might yet be sufficient to compel new efforts towards detente.

Malcolm Rutherford

THE EEC COMMISSION

THE NEW COMMISSION

BELGIUM

Count Etienne Davignon: Top diplomat, currently head of Belgian Foreign Ministry and chairman of International Energy Agency. Strong pro-European who played major role in preparation of the now-shelved Tindemans Report on European union.

BRITAIN

Christopher Tugendhat: Youngish former journalist and opposition spokesman of foreign affairs. Well-informed on energy matters and multinational business, he has also displayed growing interest in relations between industrialised and developing countries.

DENMARK

Finn-Olav Gundelach*: Though given an unspectacular portfolio (internal market) in the outgoing commission, he has frequently stood in for Sir Christopher Soames and has won respect for shrewd handling of external affairs. Deeply involved of late in negotiations with Japan on trade and development of new EEC fisheries policy.

FRANCE

Francois-Xavier Ortoli*: First ex-President of commission to stay on in lesser job. Shy and retiring technocrat, leans more towards policy detail than overall strategy planning and has a good grasp of technical workings of commission. Has been criticised as President for failing to stand up strongly enough to EEC member governments.

Claude Cheysson*: Capable but autocratic, former post-colonial administrator. Driving force behind development of EEC's policies towards Mediterranean countries and Third World. Disliked at the Elysee for his outspoken and socialist views, but President Giscard D'Estaing has been persuaded to reappoint him.

GERMANY

Wilhelm Haferkamp*: Uninspiring former trades union official who has proven largely ineffective in running economic portfolio over past four years. Poorly regarded by Chancellor Schmidt, who nonetheless re-nominated him despite opposition from Mr. Jenkins.

Guido Brunner*: Former senior diplomat, well-connected with Free Democrat leadership. Mild-mannered but able behind-the-scenes negotiator. His current portfolio (education, science and research) has given him little chance to shine.

IRELAND

Richard Burke: Highly conservative Education Minister, thought to have been nominated more because of close relations with Prime Minister Liam Cosgrave than because of any real qualifications for a Brussels job.

ITALY

Antonino Giolitti: Former Budget Minister and one of the leading political and economic thinkers of the Socialist Party. Respected as an intelligent and able administrator.

Lorenzo Natali: Christian Democrat politician. Has held a variety of government posts but best-known for expertise in agriculture, of which he is a former minister.

LUXEMBOURG

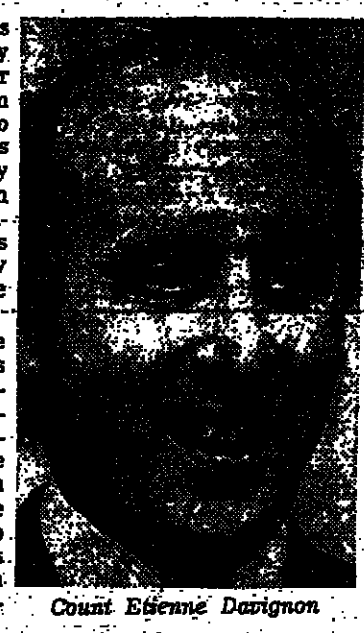
Raymond Vouel*: Socialist and former Finance Minister appointed to Brussels in mid-1976 to fill seat vacated by Albert Borschette. Has made little impact since his arrival and still something of an unknown quantity.

NETHERLANDS

Henk Vredeling: Unorthodox socialist Defence Minister and former member of European Parliament, where he distinguished himself by his energetic questioning of Commission policies. Likely to be one of the more colourful members of the new Commission.

*** Denotes member of outgoing commission.**

A tough job faces Mr. Jenkins



Count Etienne Davignon

Signor Antonio Giolitti

Dr. Henk Vredeling

IN ALMOST exactly a month's time, on January 5, Mr. Roy Jenkins will formally take over as President of the European Commission, the first Briton to hold the office. His 12 colleagues have already been nominated by member Governments, though the sensitive and intricate business of allocating portfolios has yet to be dealt with and may well not be completed until the start of next year.

Mr. Jenkins has had more time to prepare himself for his new job than any of his predecessors, having been designated by EEC heads of Government at their July summit. He has had no effective powers in the interim: though all the European leaders agreed to meet him privately and discuss suggestions for the composition and role of the future Commission.

Some of these discussions have clearly gone rather better than others. In the matter of choosing the new Commission, Mr. Jenkins apparently fell foul of Chancellor Helmut Schmidt of Germany, who flatly refused the President-designate's request that Herr Wilhelm Haferkamp be replaced by a German commissioner of greater political weight and ability.

On the other hand, Mr. Jenkins was able to talk the British Prime Minister, Mr. Callaghan, out of nominating Mr. John Davies, whom he clearly did not want working with him in Brussels, in favour of Mr. Christopher Tugendhat. He also succeeded in persuading President Gisgard D'Estaing to reappoint M. Claude Cheysson despite the fact that the latter has not endeared himself to the Elysee.

In his next task, supervising the distribution of portfolios, Mr. Jenkins will enjoy somewhat greater independence of national Governments, though by no means decisive control. The allocation of jobs is decided on by a majority vote of the whole Commission and in the process both the preferences and qualifications of the individual members and the sensibilities of member Governments must be respected.

It is for example an unwritten rule that one of the bigger portfolios, such as external affairs, economics, agriculture and competition, should go to one of the commissioners from each of the larger EEC countries, but that no country should have commissioners occupying two key posts. Thus, since a British nominee will be occupying the Presidency, Mr. Tugendhat, the U.K.'s second commissioner, cannot expect to hold one of the weightier positions.

To some extent, the business of assembling the jigsaw puzzle can be made easier by changing the shape of the pieces, and Mr. Jenkins no doubt has ideas of his own about how the portfolios themselves should be composed. There is a strong case, for example, for merging the Commission's moribund industry directorate with another department, such as internal market. Conversely, some of the larger portfolios, such as external affairs, might be divided up between more than one commissioner.

But while the Commission's general efficiency would undoubtedly benefit from internal reorganisation, a good deal more will have to be done in other areas if it is to regain some of the political authority which has slipped away from it in recent years, notably under the Presidency of M. Francois-Xavier Ortoli.

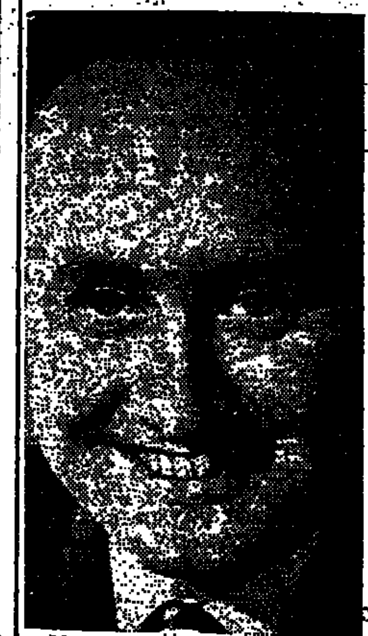
Mr. Jenkins will discover—if he has not done so already—that much is expected from him personally in Brussels in this regard. But he may well find also that his real powers as President of the Commission are surprisingly limited, all the more so at a time when European Governments are divided and uncertain about the course which the Community should follow in the future.

As President, he will bear the brunt of responsibility for determining the all-important relationship which the Commission enjoys with member Governments. His reputation as a politician of stature who can talk to heads of Government on equal terms will give him an advantage denied to M. Ortoli, though—as his unhappy dealings so far with Chancellor Schmidt have demonstrated—it will be far from a decisive one.

The weight which Mr. Jenkins carries in national capitals will also depend to a large degree on his ability to show that he is truly master in his own house and has a firm grasp of the running of the Commission. To do this, he will not only have to establish a *modus vivendi* with his colleagues but will also have to prove that he understands their individual areas of responsibility at least as well as they do, down to the last painstaking detail.

In the view of many people in Brussels, Mr. Jenkins's arrival represents the last chance for arresting the progressive decline in the Commission's standing. It is a formidable task, and if he succeeds in it he will have given a new sense of direction not only to the Commission itself but to the Community as a whole, at a time when its future development is perhaps more uncertain than at any time during the past 20 years.

Guy de Jonquieres



Mr. Christopher Tugendhat

Signor Lorenzo Natali

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Many questions to be settled

THE PAST year has not been a particularly fruitful period for new joint initiatives by the Nine. But it is possible that the agreement in principle reached by EEC heads of governments last July on a formula for direct elections to the European Parliament will go down as one of the most important steps taken to further political integration in Europe since the Community was enlarged from six members to nine.

To committed Europeans the prospect of a directly-elected Parliament, increased in size to 410 seats from 198 at present—holds out the hope of a new force for change which will reinvigorate the Community at a time when its other principal institutions are showing some signs of fatigue.

This hope, it must be said, rests largely on the assumption that the future Parliament will draw its initial authority from the grass roots of the European electorate rather than from any lofty responsibilities conferred upon it by national governments. As things stand to-day, indeed, there are no provisions for granting it any powers beyond the essentially symbolic ones with which the present assembly has had to make do.

But, it is argued, parliaments have often succeeded in the past in creating their own power. Thus, once the new European MPs are seated, they can be expected to start agitating for a bigger role in the running of the EEC's affairs and to use their popular mandates as a weapon with which to extract concessions from national capitals.

Much remains to be done, however, before this vision can become a reality. To begin with, there is no firm deadline for the first set of elections, merely an understanding among member states that they will make their best endeavours to be in a position to participate by May or June of 1978.

This less than iron-clad commitment was the result of a compromise worked out to satisfy France. The French Government argued that while certain countries, notably Britain and Denmark, were unable to say definitely when they would be ready to take part, its constitution prohibited the setting of a firm date. As a result, it has been agreed that the precise timetable will be established later by the Council of Ministers.

It is therefore somewhat ironic that France should have emerged as one of the countries where ratification of the necessary enabling legislation faces the greatest uncertainties. The outlook has been heavily clouded by the formation of an unholy alliance between the Gaullists and the Communists to oppose direct elections, which both groups fear will erode national sovereignty. The Socialists are nominally in favour of the elections scheme but have given it only tepid support.

Explosive

In an effort to defuse this potentially explosive situation, President Giscard d'Estaing last month took the unusual step of asking the Constitutional Council to judge whether the principle of direct elections is compatible with France's Constitution. The Council is due to hand down its opinion—which is not binding—very soon, but even if it is favourable to direct elections the Government is still likely to face a stiff fight to win legislative approval.

On the other hand, a negative opinion by the Council could well rob M. Giscard d'Estaing of any real chance of securing the majority which he clearly wants in the National Assembly. In this event, he might be left with little option but to call a referendum on the issue, which would, inevitably, also be seen as a test of his own popularity in the country at large.

The British Government faces problems which are only slightly less formidable. The heavy vote against direct elections at the last Labour Party Conference is not an encouraging omen and raises longer-term questions about how fully the party will be prepared to participate in the European elections themselves. If Mr. Callaghan is to secure ratification by the House of Commons next year, he may well have to rely on some support from the Conservative ranks to offset opposition from his own left wing.

By an unavoidable accident of timing, the direct elections Bill will have to compete for Parliamentary attention with the Government's devolution proposals. Though the line-up on the two Bills will doubtless look very different, it will hardly improve the election scheme's chances of passage to be put before Parliament at a moment when controversy over questions of national sovereignty and power-sharing will already be on the boil.

By contrast, Denmark seems to be on the way to solving its problems. These stem principally from the fact that its constitution at present would allow it to hold European elections only in conjunction with national elections, and there is obviously no certainty that the two will coincide. But Denmark's Prime Minister, Mr. Anker Jorgensen, appears confident that he can push through the necessary constitutional amendment before the mid-1978 target date for the first European elections.

In Germany, Holland and Luxembourg, ratification looks like being a straightforward affair. In Italy and Ireland, though there is no strong political opposition to direct elections, there is a risk of ratification delay due to the sluggishness of parliamentary proceedings. In Belgium, the Government's main task is to satisfy the French- and Dutch-speaking populations that both will get fair representation in the new Parliament.

Internal arrangements for the elections have been left largely up to national governments to decide (and also to finance). This reflects a recognition both that it would be difficult to harmonise the Nine's widely differing election systems and also that a number of governments must pay close attention to regional considerations in distributing their allotted number of seats.

It is obviously impossible to predict with any accuracy the likely political composition of the future Parliament. However, the Parliament's own secretariat recently made an attempt which came up with some interesting — even surprising — results.

Taking the last U.K. general election results as a basis, the Parliament study found that if Britain's traditional "first past the post" system had been used to decide results for the European Parliament, the Conservatives would have won 42 seats, Labour 30, the Scottish Nationalists six, the Ulster Unionists three and other parties (including the Liberals) none.

By contrast, the use of proportional representation would have given Labour 32 seats, the Conservatives 30, the Liberals 15 and the other parties four. Finally, if the present system in nominating European M.P.s according to party strengths in Westminster were followed, Labour would get 41, the Conservatives 36, the Liberals two and other parties two.

On a Europe-wide basis the study found that of the major political groups, only the Communists would increase their share of the seats in the future Parliament under a system of proportional representation by comparison with the present system of nomination. The other beneficiaries of PR would, not surprisingly be the fringe parties.

A further question yet to be settled is where the new Parliament should be sited. This might seem a trivial point, but it is apt to arouse national sensitivities and is unlikely to be settled without a good deal of controversy.

The Treaty of Rome does not stipulate any particular venue for the Parliament, and at present it meets both in Strasbourg and Luxembourg, with its secretariat based in the latter city. Moving staff and documents from one city to the other involves considerable inconvenience and expense, and many parliamentarians would like a decision taken on a single, permanent site.

At present Strasbourg is the only city with facilities large enough to house a 410-member assembly, though the Luxembourg Government recently authorised the start of design work for a new Parliament building in the Kirschberg complex. In the view of many people, Brussels would be the most logical compromise. But unless a final decision is taken soon, the new Parliament may be condemned to start out life ill-housed and inadequately equipped.

Guy de Jonquieres

EAST-WEST RELATIONS

Detente loses some of its steam

FEW PEOPLE will look back on 1976 as a year when divided Europe took a decisive step towards East-West rapprochement. There have been no breakthroughs over the main military and economic issues that separate the two halves. In fact each side's preoccupation with economic problems encourages introspection—with the added feeling that détente is losing some of its steam. Even so, there was enough movement to shed light on the main issues and help pinpoint the areas where there could be progress.

This is particularly true of the economic field, where the most important recent development was the reply by the EEC to proposals put forward by Comecon for a relationship between the two organisations. As expected, Brussels replied that there could be no question of bilateral trade relations between the individual members as demanded by Comecon because of the common commercial policy. But it proposed as a first step that the two sides exchange more information on such things as trade, transport and the environment.

The East Europeans have frequently demanded such exchanges and are bound to welcome at least this part of the EEC's reply. But on the main issue of precisely where relations are to go they are in a bit of a fix.

Cast as they are in the role of *demandeurs* (though they deny this, their official position being that they are trying to improve East-West co-operation for the good of all) the main compromise will have to come from them. This would be the political step of recognising the competence of the Brussels Commission, and thereby the integration of West Europe.

Until quite recently there was no urgency about this. Trade between East and West Europe if anything accelerated over the past two years — a period when there were no trade agreements whatsoever between EEC and Comecon members. But this was often achieved only at the cost of postponing decisions in the absence of machinery to take them. This cannot go on for ever. Some issues will have to be faced soon.

The East European countries have all been affected by the economic crisis to some extent and are keen for two things: the establishment of their Western relationships on a long-term footing which would help cushion the sharp ups and downs of Western fortunes; and greater access to Western markets to even out the large imbalance in trade which has grown up in recent years.

The first sign of movement was Romania's decision to negotiate with the EEC under the multi-fibre agreement. Although this was essentially a GATT rather than an EEC framework, it still showed that Romania was prepared to deal with Brussels when it came to securing access to West European markets at a time when local opposition to its products was growing.

A similar approach could follow from Poland and Hungary, both GATT members who are having trouble with their textile exports to EEC markets. But whether the recognition of Brussels by only three Comecon members for the purposes of trade in just one type of goods would constitute even a minor breakthrough is doubtful.

A more interesting possibility has loomed with the decision by the EEC to extend its fishing limits unilaterally from the beginning of next year. If the East Europeans—and in this case it means mainly the Russians—want to benefit from special phasing out arrangements or bargain for whatever surplus quotas are available, they will have to come to Brussels. If they do, it could open up a new chapter in East-West relations. If they do not, but continue to fish within the new limits, they would be subject to policing by the EEC member whose boundaries they had transgressed—though individual members would probably try hard to avoid a confrontation with the Soviet Union. The third, and most likely, possibility is that the East Europeans will quietly leave the disputed waters, thereby keeping the whole EEC Comecon question open.

If there is pressure from the Western side for a dialogue it is over the problem of dumping. Although the Romanians responded to growing criticism on their trading tactics with an approach to Brussels which succeeded in heading off threats of retaliation, there are other issues, like shipping rates for example, where EEC governments are under strong pressure from their own businessmen to deal with the East Europeans. The Russians could, for instance, refuse to discuss shipping rates with Brussels, in which case EEC countries would be forced into the role of *demandeurs* in order to negotiate bilaterally if they wanted to resolve the problem.

What all this adds up to is that unlike two years ago there are now pressing questions between East and West which need a solution, and this could speed up the tempo of the ritual EEC Comecon courtship which has already earned itself the name Moscow Minuet.

One factor that does not appear to be having much effect is the Helsinki declaration. There is certainly no feeling in Brussels that the CCP should be diluted with Helsinki spirit to make rapprochement easier. The East Europeans, on the other hand, never cease to brandish Basket Two (the part of the declaration dealing with commercial relations) in order to extract concessions without, in the EEC's view, offering any concessions of their own.

Quality

Brussels, however, revealed the duality of its position when one of its spokesmen criticised Comecon proposals for relations with Brussels as aiming to make Basket Two legally binding. It is true that one of the attractions of the Helsinki declarations is that it places no legal obligations on signatories. But Brussels' attitude makes it difficult to believe it takes Basket Two seriously.

With the first review conference in Belgrade only seven months away, both sides are preparing their positions for what is already in danger of becoming a slanging match. While it is hard to detect more than token concessions by the East Europeans to the principles laid down at Helsinki (sale of more newspapers, easing of travel restrictions, etc.), the West Europeans are not beyond reproach either. They have done little to speed up visa procedures or encourage the sale of East European newspapers, films and TV programmes in their countries.

While such activity is beyond normal Western government competence, the failure to take even token action like establishing a committee to examine ways of implementing Helsinki, leaves them open to criticism and adds ammunition to East European propaganda. It also makes it easier for Comecon countries to blame Brussels for failures in East-West talks.

The situation is therefore still fraught and uncertain. The coming months will bring new developments in East-West relations, but these could be either good or bad. Leaving aside the whole military question, it is still hard to say whether the situation in 12 months' time will be any better than it is now.

David Lascelles
East Europe Correspondent

MIGRANT WORKERS

First victims of recession

EUROPE'S POOL of migrant labour has diminished, is still diminishing, and—so some EEC governments feel—ought to be diminished further. Inevitably, the migrant worker, so welcome in a boom and embarrassing in a recession, has been one of the first victims of Europe's economic slowdown. In all, migrant employment from within and without the EEC fell last year to 6.09m., compared to 6.6m. in 1973.

Not surprisingly, it is those EEC migrant workers (nationals of one member state working in another member state) that have proved the most willing to return home when out of a job. Between 1973 and 1975 10 per cent. of EEC migrant workers went home, while only 7 per cent. of those from third countries did so. The latter, who constituted 4.5m. of Europe's migrant force last year, are naturally reluctant, even when unemployed, to go home, partly because unemployment and other benefits may differ dramatically between the EEC and third countries, but also because they fear they may never get back. Figures for the first six months of this year compared to the same period last year, showing a 14 per cent. reduction in non-EEC migrants obtaining new EEC work permits and only a 3 per cent. drop for EEC migrants, seem to lend substance to this fear.

Many EEC governments have drastically curbed or indeed put a stop on the recruitment of non-EEC workers, and would like to see more of those that remain within their borders repatriated. It has become harder to justify, at a time of squeeze on public resources, the costs of providing the necessary economic and social infrastructure for migrants. And there is indeed a school of economic thought that argues that the resources spent on migrants have been a major force fuelling European inflation — though there is also a rather better case that migrant labour has helped keep European wage rates down.

Obviously these factors do not concern Italy and Ireland—the main suppliers of migrant labour within the Community, nor really Britain (with its rather special case of a permanent immigrant Commonwealth population of British nationality), as much as Germany (host for some 2m. foreign workers last year) and France (1.9m.). But the EEC as a whole is doing its best to bring down the shutters on future recruitment from third countries, as Turkey is now discovering. Talks this autumn *on the next stage of the EEC's* association agreement with Turkey, which provides for the gradual establishment of freedom of movement for Turkish workers between 1976 and 1986 have all but foundered on the EEC's determination not to open its doors any wider. West Germany, which last year employed 543,000 out of the 610,000 Turkish workers in the Community, is in particular taking a strong stand.

The number of migrant workers is likely to fall a bit further. But EEC Commission officials are not banking on it to remove all the social problems of integrating migrant workers into European society. Indeed the estimate in Brussels is that the level of migrants will soon flatten out—estimate based partly on the natural birth rate of migrants in the EEC already (in Germany there are some 45,000 foreign-born workers coming on to the job market each year) and partly on the effects of enlarging the EEC to include probably Greece, possibly Portugal and conceivably Spain, all countries with surplus labour for export.

The Commission has been eloquent about many of the social problems that migrants face. But it has been mealy-mouthed about racial discrimination, a phenomenon that the vast majority of non-EEC migrants, coming from the southern and eastern rims of the Mediterranean basin, have come up against. Officials in Brussels are now facing more squarely the possibility that "we may be in for more Notting Hills," this time in the migrant ghettoes on Europe's continent. It is not so much Europe's older racial problems, such as the Algerians in France or the Surinamese in the Netherlands but the situation in, say, German cities, where large concentrations of young Turkish workers, speaking perfect German and imperfect Turkish, are beginning to voice their grievances, that leads to this prognostication.

Gloomy

If the British problem is seen in Brussels as the wave of a gloomy future, British experience in trying to deal with the problem is also seen as valuable. The Commission is not about to launch directives along the lines of the U.K. Race Relations Act, but that legislation is seen by some as a useful framework, setting the public tone against discrimination.

The Commission will in any case be starting an in-depth study of discrimination in the EEC in the new year. Part of the problem is that the present "action programme" for migrants, drawn up in 1974, contains only the most fleeting reference to British race relations experience because the U.K.'s "renegotiation" at that time put its continued membership in doubt.

If it is the very differing levels of education that lie partly at the root of discrimination, then some progress is being made. Most member states run reception centres and special courses in the language of the host country, for migrants' children. In some cases there has been money from the EEC Social Fund forthcoming for these purposes. For instance, the social fund gave the U.K. some 10.5m. units of account last year to help meet the cost of special courses for Commonwealth immigrant children. Equally important is the growing recognition that migrants' children should also get *some* education in the language and culture of their origin. But several countries, and particularly Britain (where, for example, in one London school some 36 different language groups have been found), want this left to the discretion of the individual country, and are resisting attempts by the Commission to make teaching of language of origin a uniform requirement throughout the EEC.

Despite the row with Turkey, something has been done to regularise benefits and conditions of non-EEC migrants with those accorded their luckier EEC brethren. In particular, this year's EEC Mahgreb agreements, while not promising the sweeping freedom of movement that the Turks want, *does assure* Algerian, Tunisian and Moroccan nationals that they will not be discriminated against in any single member state.

There is, however, a hidden tenth that gives migrants a bad name. The Commission's rule of thumb estimate is that there are some 600,000 illegal immigrants (not including families) in the EEC or 10 per cent. of the legal migrant population. They are the ones most exploited by employers, for obvious reasons. The Commission feels that steps to curb illegal immigration should be harmonised, if only because it also has plans for an eventual European passport union.

It has therefore produced last month a directive on this which it hopes will be soon be adopted by member states. It may well be. Its final plan answers objections, particularly in the U.K. to two original features of its proposals. First, only those who knowingly employ illegal immigrants will be liable to sanctions: Britain had felt that employers might otherwise be put off hiring migrants altogether. Second, the directive allows checks at frontiers as well as places of work: Britain had feared that checks at places of work might mean the continental system of "big brother" identity cards.

As for the rights of EEC migrants, two major areas are now covered by legislation in addition to the automatic rights in the Treaty of Rome of free movement and employment. First, it is almost standard that EEC migrants are eligible for social security benefits paid at the level prevailing in the country in which the migrant is working. The exception is France, which not wanting to squander its historically high level of family benefits, pays the rate obtaining in the migrants' country of origin.

Second, EEC migrants are allowed to belong to, and hold office in a trade union in another member state, and to join worker representative bodies in individual companies. But generally these rights are not extended to the public sector. And there are some restrictions again. In France migrant workers are not allowed to be *more than a third of union* members (which would be exceptional in any case) or to join conciliation Boards.

What is conceded nowhere, not in Britain (with its Irish migrant workers) is the right to vote. The Commission action programme voices the hope that by 1980 EEC migrants might be allowed to vote in municipal elections. In fact the holding of direct elections to the European Parliament in 1978 may lead to earlier action: it seems likely that EEC migrants may be at least given a ballot here.

David Buchan

WORKER PARTICIPATION

New proposals may aim too high

WORKER PARTICIPATION has become one of the fashionable subjects of the 1970s. Whether it is seen in sociological terms as giving the worker a feeling of identity with the society he lives in (the philosophy inherent in the Common Market's ideas) or simply as a way of improving industrial efficiency by improving industrial relations, the past few years has seen a flurry of activity. In France the Sudreau Report and the subsequent Government proposals set a framework for a modest set of reforms based on voluntary co-surveillance, in Britain the Bullock Committee was set up to give the U.K. its first taste of worker participation in any form, while in Germany the already relatively advanced system was extended to the big private sector companies.

It is as well to establish at the onset what in practical terms worker participation means. Essentially there are two levels, the consultative level and the decision-making level. The machinery of participation at the first level revolves around a works council, although variously in Europe other bodies supplement this—health councils or union delegation, for example. Normally both blue collar and white collar workers elect representatives to the council on separate lists, and the council meets management to discuss broadly "social" questions covering organisation of work, job definition, holidays and the like and, in some cases, the implementation of national or sectoral agreements. The works council does not have any role in the main decision taking process of the company, and it consistss essentially of a workers' delegation with certain specific rights and powers.

At a higher level participation operates through joint membership of the governing Board of the company—normally the supervisory board. This clearly introduces worker representatives to questions of allocation of resources, investment and a general supervision of the management board, which, under the two-tier board system, is in charge of the day-to-day affairs of the company.

Within this level there is enormous variety. Broadly the system works either through a supervisory board whose membership is divided equally between worker representatives (a third), shareholder nominees (a third) and a jointly nominated final third. Alternatively the board is divided 50-50 with the casting vote remaining in shareholders' hands.

The system of electing worker representatives also varies. At one extreme is the union nomination—normally in the form of lists of candidates carrying union sponsorship—to a ballot of all the workers in the enterprise itself. In many cases the practice is a compromise between these two: in France, for example, the Government's *proposals permit a part of the* workers' delegation to be elected from union lists but also insist on a higher proportion reflecting broader shop-floor preferences.

An important point is that the implementation of a system of worker participation at the senior level involves the existence or the creation of a two-tier board system, since the supervisory board at the top of the pyramid exercises control *over the management board* which is actually charged with the daily running of the company.

In the old countries of the EEC works councils or their equivalents are universal. But the move to the second level of participation has taken place in relatively few countries. West Germany is certainly the most advanced, partly reflecting the important role assigned to trade unions in the post-war reconstruction of Germany as democratic watchdogs.

The latest move in Germany has been the extension of the system of 50-50 supervisory board participation from the *coal and steel industry to the* big private sector companies. About 650 companies with 2,000 plus workers were obliged to draw up schemes for equal participation, though the insistance of the smaller partner in the German ruling coalition, the Free Democrats, saw to it that ultimate control would remain in shareholders' hands in the event of deadlock.

Hostile

In France, where the employers have been bitterly hostile to greater participation, partly because of the strength of the communist CGT unions in the factories, the proposals from the Government have been much more dilute. It is left to shareholders of companies employing more than 2,000 people to decide whether to introduce full participation at board level, while the electoral system is designed to try to prevent the workers elected being union mouthpieces.

Other measures extend the powers of the workforce to be informed of the financial condition of a company in the event of difficulties and also provide for the establishment of a new sort of company which would boast equally powerful assemblies of shareholders and of workers.

The desire of the unions to proceed to full participation also varies strongly. On the Continent the unions are more strongly ideological than in the U.K., and the socialist unions have been suspicious of moves which could be interpreted as a willingness to co-operate with capitalism. Thus, in Belgium, Italy and France the unions have been in two minds compared with the clearly social democratic sentiments of the German unions, which suffer no psychological or ideological hang-ups about their role in a mixed economy.

At the Brussels level the Commission has decided to try to co-ordinate the various European *moves so as* to arrive at the end of the day at a common system, albeit by different routes. It has produced a long discussion paper on worker participation, and hopes for a *decision in principle* to adopt a common form of worker participation within the next few years, but with a transitional period of perhaps ten years to allow everybody to work out their own methods of complying.

In concrete terms its main proposals are for a two-tier board system with worker representation (probably a third of the membership) on the supervisory board and works councils at plant level with limited powers but needing to be consulted about the major economic decisions taken by an enterprise.

How far these proposals will get remains to be seen. For those countries with well established systems they contain nothing new and hence are really of rather academic interest. For the others they represent a jump into the dark much more radical than the *modest ideas being put together* on the local scene and the instinct may well be to play for time to allow national attitudes to mature.

David Curry

CAP a monument to previous attitudes

IT MAY seem trite to say that the Common Agricultural Policy (CAP) faces an uncertain future. It is partly a reflection *of the general economic* disarray in which the Community finds itself; partly a reflection of the questions raised by the prospect of Community enlargement towards the Mediterranean; and partly a reflection of its increasing inability to deal with specific problems, notably dairy surpluses.

But it is perfectly reasonable to *wonder how much longer the* CAP can survive as a monument to the days when European integration meant what it said; the period when member countries were prepared to compromise immediate national interest to what they conceived as the longer term common or Community interest and lock themselves into a Brussels decision-making process.

The EEC's failure to develop common policies of comparable stature, policies which involve major transfers of financial resources from one EEC member to another, is giving the CAP an increasingly exposed appearance. It looks more and more vulnerable to the economic pressures which are giving Governments less and less room to manoeuvre. The CAP now seems to be held together more by fear of the unknown, of the repercussions which would reverberate far beyond agriculture if it were to collapse, rather than by European conviction.

The highlight of the past year has been the impact of the renewed bouts of currency instability on the working of the CAP—a *symptom of the* deeper malaise of growing economic divergence in the Community. The farm policy has long learned to live with fluctuating exchange rates. It began to evolve its now immensely complicated green currency *system in response* to the French franc devaluation and D-mark revaluation of the late 1960s. But this year the problem assumed new dimensions, first with the collapse of the lire in the early part of the year, and more recently with the plummet in sterling and the further revaluation of the D-mark. The net result is that Brussels now looks like having *to spend over* \$1bn. in the coming year on import and export subsidies to bridge exchange rate differences and maintain the pretence of common prices and a unified EEC market in farm products.

Windfall

The windfall benefit the green currency system has brought to Britain *is by now well known.* The effective subsidy from Brussels funds has been running at the rate of up to £1.5m. a day and, in the absence of a sharp recovery in the pound or, alternatively, a large green pound devaluation, the bill to the Community budget on U.K. food imports alone could amount to some £600m. in 1977.

This fact alone would be cause for serious concern in an increasingly cost-conscious community. Nobody in Brussels, or most other EEC capitals for that matter, is happy to see a sum equivalent to 25 per cent. of the total farm budget, and even 15 per cent. of the total Community budget devoted simply to keeping the CAP afloat—for the increasingly distant day when the EEC achieves economic and monetary union, which would allow the restoration of truly common prices.

But the problem has been given an additional and more controversial dimension by the decision of the U.K. Govern*ment to regard the green pound* rate as an instrument of economic policy rather than something offering welcome but temporary shelter from the immediate impact of sterling's decline on food prices.

The Government has been attacked from many quarters for its attitude, most recently at The Hague summit of EEC heads of government, where *President Giscard d'Estaing of* France added his voice to those EEC countries which find the situation "unacceptable."

Mr. Callaghan was forced to resort to the argument that any green pound devaluation, by putting up food prices, would undermine the social contract with the unions, which in turn would add to Britain's economic difficulties.

Quite where this conflict will end up is as yet unclear. The Brussels Commission has tabled proposals for the gradual but automatic adjustment of green currency rates, in line with market exchange rates over a rolling two-year period. But the U.K. Government is evidently relying on the Bonn Government to help to block their adoption in the Council of Ministers. Although obviously unhappy at the cost, for West German farmers the system provides protection from low price imports in the form of border taxes. Automatic adjustment would mean lower real prices for German farmers over a period.

On the other hand, there are other anomalies. There is a great deal of sympathy in the Community with the position of Ireland, for example, which is having to pay large sums into the EEC budget in order to export its beef and dairy products to Continental EEC members with hard currencies. The Irish Government claims that unless something is done, it could become a net contributor to EEC funds next year and, by implication, to U.K. food subsidies.

Proposals

The whole issue seems likely to come to a head in next spring's annual EEC farm price review. The proposals from the Commission *seem certain to* rely heavily on adjustments in green currency rates as the only way of providing sufficient flexibility to allow the ministers of agriculture of the Nine to reach some kind of agreement. Furthermore, Britain's Minister of Agriculture, Mr. John Silkin, may be obliged to adopt a more conciliatory attitude, given that he will be presiding over the price negotiations.

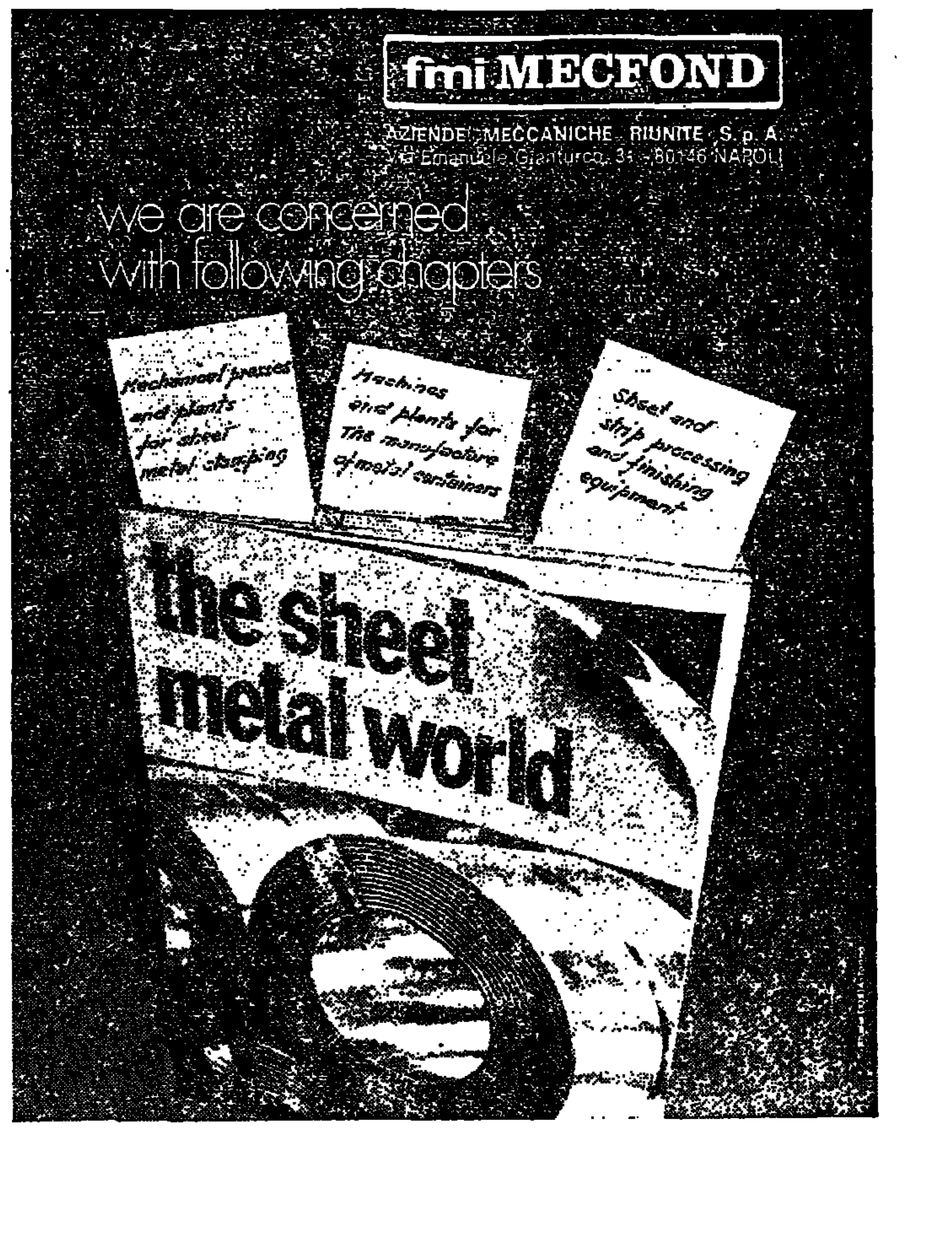
Even so, the EEC farm price negotiations promise to test Community solidarity deeply: even more so if, as seems increasingly likely, they become tangled up with ministerial efforts to solve the CAP's biggest embarrassment—perpetual milk product surpluses.

The most noteworthy achievement of the year was the agreement last March for restoring equilibrium to the surplus-ridden Community wine market, after nearly a year of seemingly intractable argument and dispute, including the imposition of an illegal import duty on Italian wine by France.

Resolving the problems of the dairy sector, however, is a far *harder* nut to crack. The Commission has produced a package of proposals carefully weighted politically as well economically aimed at cutting milk production by 5 per cent. and boosting consumption by 5 per cent. over the next four years. Ministers are planning to try to hammer out an agreement based on the Commission's package before Christmas, and certainly it would make a fitting tribute to Mr. Pierre Lardinois, the outgoing Dutch Commissioner for Agriculture, who must take a great deal of credit for keeping the CAP on the road during the past years.

Nevertheless, it is far from certain that the political will and spirit of compromise is there in sufficient force to ensure a successful conclusion. At the same time, failure to deal with the dairy problem must eventually be the death of the CAP. Dairy market support accounts for some 40 per cent. of total CAP expenditure. Butter and skim milk surpluses are also responsible for giving the policy a bad name. If the problem is not solved on a Community basis, sooner rather than later, this must lead to national milk production quotas. And a return to national agricultural regimes would not be far behind.

Robin Reeves



FISHERIES POLICY

More questions than answers

THE SPECTACLE of EEC member governments genuflecting to the idea of building the European Community while, in reality, hanging on to as much national sovereignty as possible is a familar one. With the imminent move to 200-mile fishing limits however, EEC governments have found them*selves with little option but to* place their eggs in the Brussels basket. In doing so, they are opening up a whole new area of Community competence, the consequences of which are as yet far from clear.

Brussels' involvement stems above all from the Common Fisheries Policy (CFP), which the original six chose to rush through in 1970. Its emphasis on equal access for all EEC fishermen to all EEC member's waters — eventually right up to the shore line — caused a good deal of irritation among the countries negotiating for membership at that time; namely Britain, Denmark, Ireland and Norway. Indeed, in Norway's case, unhappiness over the possible inability of the country to protect its northern fishing communities tipped the balance against joining the EEC in the subsequent referendum.

For better or worse, the CFP established an undisputed role for the Brussels Commission in the management of fisheries. Its competence was, moreover reinforced by a ruling of the European Court, which declared that national governments (in this instance the Dutch) had no right to impose internationally agreed fishing quotas on its fishermen. By virtue of the CFP, only the Commission, with the agreement of the Council of Ministers, was entitled to do so.

Driving

When the CFP was first instituted, few people envisaged that before the end of the decade, there would be a world wide move to 200-mile limits and that fishing would have to be transformed from an essentially hunting activity to one that needed to be carefully managed and controlled.

Technology has, of course, *been the driving force.* Modern fishing techniques combined with the sheer weight of fishing effort has brought fishing stocks, in the North East Atlantic in particular, to the point where some species are seriously threatened.

An even more compelling reason for bringing a much larger area of the high seas under national jurisdiction has, of course, been the recently acquired ability to exploit the oil and mineral wealth under the sea bed.

Despite the increasing pressure on fish stocks, there was an initial tendency on the part of EEC member countries with small coastlines and nothing to gain from 200-mile limits to avert their gaze from the inevitable. They clung to the hope it could be accomplished in a slow, orderly fashion within the UN Law of the Sea Conferences. As a result, it was not until October of this year that Foreign Ministers of the Nine took the plunge and finally locked themselves into Community solutions to the far-reaching consequences of the adoption of 200-mile limits from January 1.

The decision set in motion a mammoth series of negotiations over fishing rights, both inside and outside the waters which will become the Community "pool" after January 1 and which promise to go on well into the middle of next year.

Externally, the Commission is now deeply involved in the process of negotiating a patchwork of reciprocal fishing agreements with non-EEC countries. Initially they will be framework agreements; the amount of fish involved will be negotiated later. There should be little difficulty in reaching agreement with a country like Norway, whose waters have been traditionally fished by EEC boats and whose own fishermen have traditionally fished in Community waters. The basis for a deal satisfactory to both sides, exists.

Iceland is more difficult. Iceland feels it has little if any, fishing to offer EEC trawlers *without endangering its stocks,* which are the lifeblood of the country's economy. However, the Brussels Commissioner for External Relations, Mr. Finn Gundelach, has made a good start at trying to turn over a new leaf in relations between the Community and Iceland, soured by the succession of "cod wars." A long-term agreement which will allow British trawlers to continue catching limited quantities of cod in Icelandic waters remains a possibility.

For countries presently fishing inside 200-mile EEC limits, but which have no fishing to offer Community boats, the Commission is seeking a gradual phasing out. The list of such countries is long, but it almost certainly includes the Soviet Union and other Eastern European countries. There are legal difficulties since the Soviet Union does not officially recognise the Community. However, the signs are that this will be overcome. The negotiations will be conducted either by the Dutch or the British Governments in their capacities as either President or President Elect of the Council.

The incentive for the Soviet Union and others to negotiate is simple and compelling. Unless they show willing before the *end of the year,* their boats will have no rights to fish at all in the Community pool after January 1.

Quotas

Internally, the Commission is planning also to regulate fishing by a series of quotas negotiated annually in the Council of Ministers. Legally, it felt bound *by the treaty to limit exclusive* national offshore zones to no more than the 12 miles provided for in the EEC accession treaty. The quota system would be policed by a system of fishing boat licences and checks on landings at ports. As is well-known, the Commission's proposals have been given a hostile reception in Britain and Ireland, who are clearly contributing most of the waters involved. Their demand is for zones of up to 50 miles to be reserved exclusively for their own fishermen.

It remains to be seen how this dispute will be resolved. So far, Ireland, and to a lesser extent Britain, have only managed to squeeze an assurance out of the rest of the *Community that areas in their* countries especially dependent on fishing will receive special treatment: in Ireland's case, EEC arrangements will allow for an expansion in their fishing catch. But most EEC fishing industries face the prospect of a cutback over the next five years in order to allow a recovery in North-East Atlantic fish stocks. In these circumstances, the battle over the internal regime is inevitably one which will test Community cohesion to the limit.

Robin Reeves

ECONOMY

EUROPE . . . THE BASIC STATISTICS

	Population (m.)	Gross National Product Year	Total (billions)	Per capita	Trade 1975* Imports (billions)	Exports (billions)	Period	Trade 1976* Imports (billions)	Exports (billions)	Trade with U.K. 1975† Imports £m.	Exports £m.	Trade with U.K. 1976† to end-Sept. Imports £m.	Exports £m.	Exchange (£1) Nov.
U.K.	55.96	1975	£103	£1,840	£24.1	£19.9	Jan.-Sept.	£22.4	£18.5	—	—	—	—	
France	52.91	1974	Frs.1,325	Frs.25,233	Frs.231	Frs.226	Jan.-June	Frs.146	Frs.134	1,164	1,628	1,230	1,546	Frs.[illegible]
West Germany	61.83	1975	DM1,040	DM16,820	DM184	DM222	Jan.-June	DM107	DM123	1,272	1,997	1,288	1,835	DM[illegible]
Italy	55.81	1974	L97,182	L1.75m.	L25,090	L22,750	Jan.-June	L16,847	L12,795	563	810	588	783	L1,[illegible]
Netherlands	13.65	1975	Fls.[illegible]	Fls.14,945	Fls.88.5	Fls.89.9	Jan.-June	Fls.51.2	Fls.51.0	1,113	1,873	1,036	1,741	Fls.[illegible]
Belgium and Luxembourg	10.2	1975	Frs.2,403	Frs.235,390	Frs.1,185	Frs.1,135	Jan.-June	Frs.670	Frs.620	920	951	985	896	Frs.[illegible]
Denmark	5.06	1975	Kr.227	Kr.44,862	Kr.59.7	Kr.50.0	Jan.-June	Kr.36.3	Kr.27.2	443	622	470	509	Kr.[illegible]
Ireland	3.13	1974	£2.91	£942	£1.70	£1.44	Jan.-June	£1.11	£0.81	906	921	833	686	[illegible]
Turkey	39.18	1974	£T403	£T10,530	£T20.1	£T66.3	Jan.-June	£T18.2	£T37.9	143	34.6	155	44.6	£T[illegible]
Yugoslavia	21.35	1975	407 dinars	19,077 dinars	134 dinars	70.9 dinars	Jan.-June	63.4 dinars	44.5 dinars	94.2	24.4	88.4	24.7	30.49 dinars
Greece	9.05	1975	697 drachmae	77,016 drachmae	172 drachmae	74.2 drachmae	Jan.-Sept.	151 drachmae	60.8 drachmae	117	65.2	110	48.3	61.[illegible] drachmae
Spain	35.47	1974	Pts.4,943	Pts.140,346	Pts.441	Pts.932	Jan.-June	Pts.559	Pts.269	293	278	260	253	Pts.[illegible]
Portugal	8.76	1974	Esc.342	Esc.38,952	Esc.97.6	Esc.49.3	Jan.-April	Esc.25.2	Esc.12.6	158	201	153	147	Esc.[illegible]
Sweden	8.20	1975	Kr.288	Kr.35,121	Kr.74.9	Kr.72.2	Jan.-June	Kr.39.8	Kr.39.6	826	886	712	850	Kr.[illegible]
Norway	4.01	1974	Kr.127	Kr.31,829	Kr.50.6	Kr.37.8	Jan.-June	Kr.29.1	Kr.20.6	391	593	328	462	Kr.[illegible]
Finland	4.71	1975	Fmks.96.2	Fmks.20,425	Fmks.28.0	Fmks.20.2	Jan.-Sept.	Kr.20.1	Kr.17.0	261	400	205	485	Fmks.[illegible]
Iceland	0.22	1975	Kr.185	Kr.845,000	Kr.75.0	Kr.47.4	Jan.-Aug.	Kr.51.2	Kr.45.2	24.9	16.2	17.6	19.8	Kr.[illegible]
Austria	7.5	1974	Sch.617	Sch.82,267	Sch.163	Sch.131	Jan.-Sept.	Sch.160	Sch.122	164	204	149	161	Sch.[illegible]
Switzerland	6.4	1975	Frs.145	Frs.22,656	Frs.34.3	Frs.33.4	Jan.-June	Frs.17.5	Frs.17.8	710	711	715	661	Frs.[illegible]

* Source: IMF Financial Statistics and national statistics. † Source: Department of Trade.

Year of uncertainty ahead

AS THE EEC enters 1977 the economic outlook is one of great uncertaintly, both inside and outside the Community. The most immediate question mark hangs over the level of next year's oil prices, due to be decided by OPEC Ministers in Doha, Qatar, later this month. A price rise of only 10 per cent., the Brussels Commission has said, could throw out all the Community's growth estimates for next year—even if Herr Helmut Schmidt, the West German Chancellor, somewhat to the annoyance of Brussels, has predicted that his own country could absorb a 15 per cent. increase. A rise of that scale would clearly be extremely worrying to the Community's weaker economies, particularly the British and Italian, but also now the French.

The second major uncertainty is over the economic policies of U.S. President - elect Jimmy Carter. There has been some relief in Europe at Mr. Carter's statement last month that he hoped to achieve a real economic growth rate of 6 per cent. in 1977, compared with the OECD's latest estimate of 5 per cent. or under for the U.S. next year. In recent weeks the weaker European economies have been increasingly looking to the U.S., as well as to Japan and Germany, to help steer the world out of the renewed economic downturn that the OECD is now expecting. But most Governments are suspending final judgments until they see whom Mr. Carter appoints to the key policy-making posts in his Administration and have a chance to judge the policies themselves in action.

Renewed

Nor have the OECD's predictions gone uncontested. Some economists doubt whether the risk of renewed recession is as serious as the Organisation's experts believe, and inside the Community two Governments, the French and the German have challenged the specific forecasts made for their own countries. While the OECD is now forecasting a GNP rise of no more than 3.5 per cent. for Germany, with the decline continuing throughout the year, the Bonn Government is still officially expecting an increase of 5 per cent., only half a percentage point down from the 1976 figure. France is also much more optimistic than the OECD, with a growth forecast of 4.8 per cent. for 1977, against the Organisation's 3 per cent. Although the U.K. is not disputing the secretariat's estimate of a 2 per cent. rise in the British growth rate next year, the precise direction of British policy will remain unclear until the Government's letter of intent to International Monetary Fund is published later this month. And while Germany has told the OECD that it will stick to present policies for the time being, it has also indicated that it could take reflationary action if the OECD's predictions rather than its own look like proving correct.

Against this background, it is hardly surprising that the Commission has not thought it worthwhile to revise its own initial forecasts for next year until the picture begins to clear—particularly on the oil price front. These were for an EEC growth rate of 4 per cent. next year—down from 5 to 5.5 per cent. in 1976—with the possibility of an inflation rate of around 8-9 per cent., if member states pursued appropriately austere domestic policies. This Ministers have undertaken to do in principle at last month's meeting of the Finance Council in Brussels, at which the Nine made renewed commitments to vigilance with regard to their budget deficits and monetary growth. But the Minister decided against a proposal that they should lay down specific monetary growth targets, in view of the uncertainty over oil prices and the general difficulty of precise economic forecasting.

The level of oil prices and the momentum of the world economy and international trade will also clearly have a decisive influence on the Commission's longer term aim of reducing EEC inflation to 5 per cent. by 1980—an objective set forth earlier in the year in its Strategy for Full Employment and Stability. With the expectation of continuing high levels of unemployment in the Community, the Commission wants the member states to go for sustained annual growth rates of 4.5 to 5 per cent. a year backed by a coherent plan for economic policy co-ordination at Community level. As in the past, the Commission accepts that policy instruments will vary between the different countries. In all cases, however, it stresses that such plans can only succeed on the basis of tripartite consultations between Governments, employers and trade unions.

One outcome of these consultations should be income and price controls, together with progress towards industrial democracy and profit-sharing, the Commission argues. But it recognises that an above average increase in private investment will be required and that this can only be achieved if profits improve. The emphasis of public expenditure should be shifted to investment and budget deficits reduced. The big question remains how far member governments will really be prepared to co-ordinate their policies at Community level. Good intentions have been expressed often enough in the past, but governments have always drawn back at suggestions that jointly agreed economic policy guidelines should be made in any way binding.

This hesitance, though not shared by the stronger partners such as Germany and the Netherlands, is bound to mean a difficult passage for the so-called Duisenberg Plan, launched by the Dutch Finance Minister at the Nine's Brussels summit in July and reviewed again inconclusively last week in The Hague. Mr. Duisenberg's idea is that the Nine should set overall Community targets for medium-term budgetary and monetary policies and tailor their own national policies accordingly. The move to greater economic co-ordination would be coupled with measures to limit exchange rate movements centred on the existing joint European float, the "snake." His proposal is that the EEC countries who are not "snake" members (France, Britain, Italy and Ireland) should undertake to restrict movements of their currency to target zones linked to the "snake" in return for pledges of medium-term financial support from Community resources.

Negative

The immediate British reaction to the plan, which resembles past, unsuccessful French initiatives, was negative. In addition to the U.K. Government's traditional aversion to anything smacking of economic and monetary union, it was felt that it was just not realistic to try fixing a target zone for sterling in the foreseeable future. More recently, however, in the wake of the pound's latest plummet, there have been signs that Britain may be nibbling at the bait. The Government still believes that the immediate priority is an arrangement for the sterling balances. But last month Dr. David Owen, Minister of State at the Foreign Office, went so far as to describe the Duisenberg Plan as "the most promising line yet put forward for progress in this difficult area." and Mr. James Callaghan, the Prime Minister, showed signs of interest at last week's Hague summit.

West Germany has been distinctly cool towards the plan and in any case a simple monetary device is unlikely to be enough to solve the main problem bedevilling attempts at European integration—the growing divergence between the Community's weak and strong economies. Whatever Germany's growth rate turns out to be next ... it is going to be significa... higher than the zero growt... OECD is now predicting ... Italy, and inflation rates in ... Nine are still widely diverg... An independent report com... sioned by the Commi... earlier this year conclude... inflation rates ranging ... over 20 per cent. in It... to only marginally above 6 ... cent. in Germany last ... could be reduced in the ... term if some member c... tries, but only at very ... economic and social costs ... ably at the expense of high... employment and stagna... living standards.

So far there is no sign ... the richer countries, and in par... ticular Germany, are prepa... to agree to the kind of ma... transfer of resources fr... strong to weak that the ... countries see as essential if ... gap is to be narrowed. Exis... instruments such as ... Regional Fund, have had ... tually no impact, and ... Anthony Crosland, the Bri... Foreign Secretary, has alr... stated that when the Re... Fund comes up for renew... must be replaced by a m... more substantial mechanis... redistributing wealth inside ... Community. But if past ex... ence is anything to go by ... can only be a remote pros... and the chances are rather ... the problem is going to wo... with the entry of new Med... ranean countries with econo... even less developed than ... of the present Nine. Minis... reacted with outrage when ... Tindemans Report on Euro... Union appeared to advoca... "two-speed Community," ... the stronger members adv... ing faster than their we... partners towards economic ... monetary union. But w... Greece, followed by Portu... and then perhaps Spain ... the club, the danger is that ... will become not a "two-sp... but a "three-speed" com... nity.

Reginald D...

THIRD WORLD

A continuing dialogue

THE PAST 12 months have seen the virtual completion of what can be best termed the European Community's institutional relations with the Third World. So long as there remains so sharp an international division between rich and poor countries it will never be possible to say that the Community's Third World relations are a cut and dried affair. The Paris Conference on International Economic Co-operation, the UNCTAD meeting in Nairobi last May and the threatened oil-price rise by OPEC, all demonstrated that the Nine are now involved in a continuous dialogue with the Third World in which its relations are constantly evolving.

But the Community's achievement of the past year has been finally to slot into place the institutional relationships with the Third World which were first conceived during the negotiations to enlarge the Community in 1970 and 1971: namely the Lomé convention and the global Mediterranean policy.

Lomé represents the bringing together of a large number of developing countries in the Commonwealth and the mainly Francophone countries, which used to be associated with the Six through the Yaoundé conventions. But whereas these countries started out together in 1973 as associates and associables, the process of negotiating a new trade, aid and co-operation agreement with the enlarged Community over 18 arduous months moulded an impressive, and, from the EEC's point of view, formidable, unity among the 46 countries eventually involved, and in the process they became christened the ACP (African Caribbean and Pacific), reflecting their geographical spreads.

The new convention, although signed in 1975, actually came into force on April 1 this year. This means that 46 developing country members—and another six are due to join shortly—now enjoy duty free access to the EEC for all industrial goods and many agricultural products. The convention also provides the vehicle for the Community's aid programme, but its novel features are the Stabex Fund—allowing payments to be made to offset the ACP's foreign exchange losses stemming from price fluctuations of a selective list of commodity exports—and an industrial co-operation protocol which, it is hoped, will encourage the transfer of technology and the building up of an industrial base in these countries.

For all its virtues, however, the Lomé Convention is no more than a framework or blue print for the development of harmonious political and economic relations between the Com-

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Scramble for business

FOR MOST OF European industry 1976 has been a year of hope disappointed, of an expected recovery which seemed to run out of steam in the latter part of the year or, in a few sectors, never materialised at all. The result was intense competition, pressure on profit margins, and growing concern over imports into Europe, especially but by no means exclusively from Japan; efforts to correct the trade imbalance between Japan and the EEC are now being made, but with no great optimism about an early improvement. As the New Year approaches there is uncertainty about whether the upturn in the European economies and in world trade will be resumed or, as some recent OECD forecasts have suggested, another recession is on the way.

An exception to the general gloom has been the motor industry, especially in West Germany. Buoyant consumer demand in the early part of the year caused the German vehicle companies to re-hire many of the workers who had been laid off in the 1974-75 recession and to step up production to levels close to those of the 1973 boom. Car output in Germany in the first nine months of the year was about 26 per cent. higher than in 1975; in France the corresponding figure has been 17 per cent. But in both countries the pace of recovery has slowed down. The U.K. industry has shown its usual weakness in the face of strong demand—an inability to produce—so that the share of imports in the home market has risen to 37 per cent.

The recovery in the motor industry raised hopes among the steelmakers that the prolonged slump in steel demand would come to an end. There was a pick-up in orders as users took steps to replenish their stocks, but it was not sustained; apart from the motor industry, other customers—the capital goods makers, the engineering trades, the shipbuilders — remained depressed. There was talk once again of a "manifest crisis" which would oblige the European Commission to take protective action, both to set production quotas and to seek tighter control over imports. At the same time the companies themselves have taken steps to form what is intended to be a stronger industry grouping, known as Eurofer, to look after their own interests.

Increase

The story in the chemical industry has been much the same. ICI's quarterly results accurately reflect what has been happening in the European industry as a whole—a very strong increase in the first half of the year, followed by a flattening-out in the third quarter. The industry seems poised half-way towards full recovery. By far the worst-hit sector has been synthetic fibres, where all the world's producers have been plagued by serious over-capacity and unremunerative prices; some companies (like Rohm and Haas in the U.S.) have pulled out of the business entirely; others have had to close down plants. With cheap fibre imports (some from Eastern Europe) adding to their woes, the fibre makers still see very little light at the end of the tunnel.

To some extent the problems of the fibre makers form part of a wider crisis in the European textile industry (their principal customer), which is likely to assume greater political and industrial importance during 1977. Whether because the terms were too generous or because it has been administered poorly, the Multi-Fibre Arrangement of 1973 has, in the textile industry's view, failed to achieve its objective of providing for an orderly growth in textile imports. There is particular concern over the future of the clothing industry, the last link in the textile production chain; being still relatively labour-intensive (unlike parts of the textile industry itself), the clothing sector is highly vulnerable to imports.

Forecasts have been published which suggest that, unless action is taken to slow down the increase in imports of textiles and clothing, more than 1m. European jobs could disappear by 1985; since the firms affected are often in areas where there is little alternative employment, the political and social implications are far-reaching. There appears to be some sympathy within the European Commission and within member Governments for the textile industry's case, and this will presumably become more evident as the negotiations get under way for a renewal of the Multi-Fibre Arrangement in 1977.

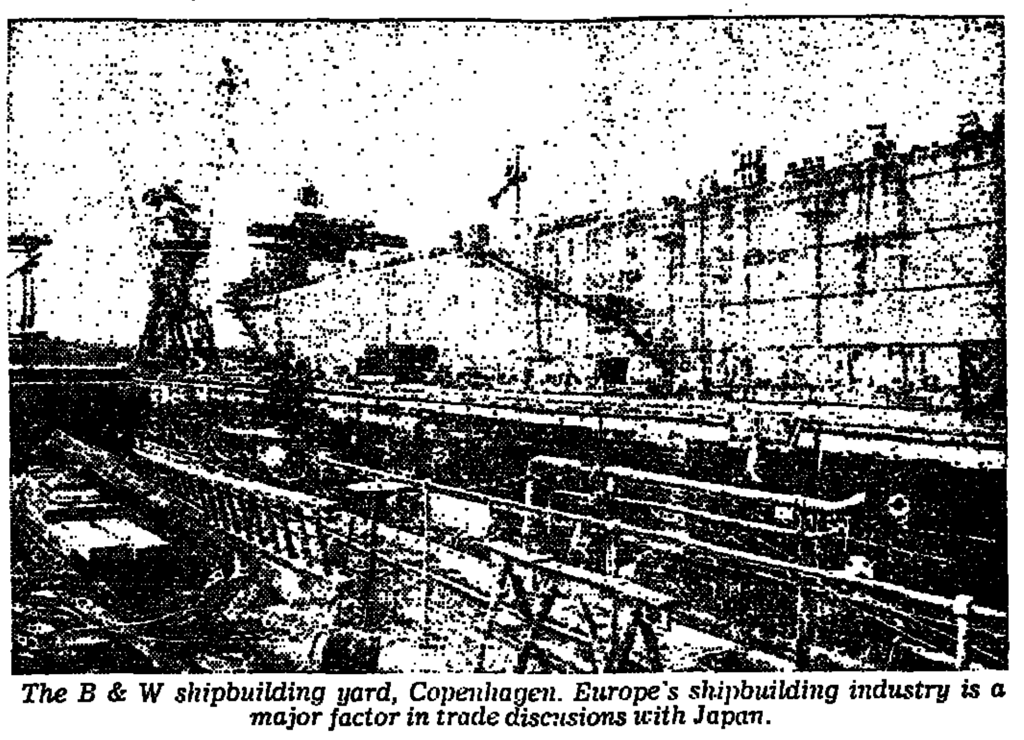
Further

Dependence on imports of textiles has gone further in Germany than in any other member country, but there are some indications that Germany's traditional insistence on free trade and an "open door" for imports may be modified. The German Government has taken an active part in the negotiations over trade with Japan and is clearly concerned that certain key sectors of German industry, such as ball bearings, could be forced to contract in size to a quite unacceptable extent. This apparent stiffening in German attitudes is bound to influence the foreign trade posture of the European Commission, particularly in relation to anti-dumping where some industrialists have feared that EEC policy would be too soft.

The need for protective action at a European level is nowhere more evident than in shipbuilding, where the gap between order intake and the industry's capacity has remained alarmingly wide. The major shipbuilding nations (with the possible exception of the U.K., preoccupied with the political fight over nationalisation) have faced up to the fact that capacity will have to be reduced, with a substantial cut in the industry's labour force. But how much each country should cut back is a matter of much dispute. Once again Japan is at the centre of the argument—shipbuilding is one of the main issues in the trade discussions between Japan and the EEC—but the situation is complicated by the emergence of new shipbuilding nations, such as South Korea.

Although the European Commission is acting for member Governments on a number of trade issues, there is no sign that it is exerting any greater influence over industrial policy. National solutions are being sought to what are still regarded as national problems.

Following its withdrawal from the Unidata computer consortium last year the French Government has continued the process of restructuring certain major industries, including telecommunications and heavy electrical equipment, without much regard for any possible "European" solution. Indeed, the French interest has seemed to lie more in co-operation with the Americans than with fellow Europeans. In the aircraft industry, for instance, which has been a major preoccupation for the European Commission for several years, the French Government has negotiated a preliminary agreement to co-operate with McDonnell Douglas on a new medium-range airliner.


The B & W shipbuilding yard, Copenhagen. Europe's shipbuilding industry is a major factor in trade discusions with Japan.

There is still uncertainty as to whether this project will ever come to fruition; in the meantime the French are talking to other countries, including the British and the Germans, about co-operative ventures. The aircraft industry remains a test case where the industrial arguments for full-scale European collaboration have always seemed impeccable but where the political will has been lacking. There is, however, the important practical point that no major new airliner project is likly to succeed unless it finds a market in the U.S., and for that reason a partnership with an American manufacturer is essential.

Less is heard these days about the elaborate plans for European co-operation in "high technology" sectors which were being advocated by the Commission three or four years ago. There are a number of areas, such as uranium enrichment, where there is co-operation for specific purposes, and these may well be extended. Discussions have been under way, for example, between the leading European makers of integrated circuits. It is also conceivable that if the U.K. decides after all to adopt the American-designed light water reactor for the next phase of the nuclear power programme, the idea of co-operation with the French may be revived. But these are practical steps limited to specific areas—a more promising way of developing collaboration on a European scale than the unrealistic blueprints which the Commision used to produce.

In the short term, however, European industry's most pressing concern is the state of the world economy. Although there are still some buoyant export markets, notably the OPEC countries, competition for the available business is intense. With the Japanese scrambling for orders in most major sectors, prices have to be cut to the bone. Above all, there is little sign in the U.S., Japan or Western Europe itself of the recovery in industrial investment which is essential to a soundly-based economic upturn.

Geoffrey Owen

THIRD WORLD

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munity and countries many of whom were once colonies of France or Britain. From the outset the ACPs attached a great deal of importance to consultation procedures on matters of mutual interest, and it has to be recorded that for all the Community's pride in Lomé, the early months of the Convention's existence were marred by difficulties and friction.

This arose not only from the Community's clumsy treatment of certain key issues in the implementation of the trade arrangements, but also, as a particular example of insensitivity, the Nine's last minute refusal to hold the first joint EEC-ACP Ministerial Council in Fiji.

The meeting ended up eventually in Brussels last July and two days of frank talking evidently did much to clear the air. These talks in turn led to a bilateral meeting between the EEC's presiding Council President, Mr. Max van der Stoel, the Dutch Foreign Minister, and the President of the ACP Ministerial Council, the Fiji Prime Minister, Ratu Sir Kamisetse Mara, to hammer out specific problems.

Most prominent of these were sugar and beef. The majority of the Nine have never disguised the fact that they would rather do without the 1.2m. tonnes of cane sugar which used to enter Britain under the Commonwealth Sugar Agreement. The EEC has ample capacity to be self-sufficient in sugar from beet, and this led to some very hard bargaining from the Community's side this year when the guaranteed price for 1976-77 for the ACP deliveries came to be negotiated. Indeed, the ACPs argued forcibly that the EEC offer was in breach of the letter as well as the spirit of the Convention's Sugar Protocol. The issue is not entirely settled, but the talks seem to have contributed towards removing misunderstandings and improving the atmosphere for the next price negotiations.

On beef, the two Ministers agreed an arrangement which improves the terms under which beef of ACP countries, notably Botswana, enters the community.

The trouble with both commodities is, of course, that they run up against the beef and sugar regimes of the Common Agricultural policy. However generous the Community may wish to be in its trading dealings with the ACPs and the Third World generally, it is bound by the Rome Treaty not to undermine the position of its own producers.

This has proved an even more difficult problem in relation to the EEC's dealings with the Mediterranean. This is a part of the Third World which the Community feels the need to establish more intimate links than elsewhere. The global Mediterranean policy was again conceived during enlargement—the building of a matrix of preferential trade agreements with the countries bordering the Mediterranean, which will eventually lead to the creation of free trade area from Donegal to Damascus.

The negotiation of these agreements was destined to take a good deal longer than anyone anticipated, in large part because of the difficulties of the Community in offering worthwhile trade concessions. It is an unfortunate fact of life that the main exports of the Mediterranean are agricultural products, like wine, olive oil, vegetables and citrus fruit, which compete with the agricultures of Italy and part of France.

However, during the course of this year the Community finally assembled its global Mediterranean policy, signing agreements with the Maghreb countries, Algeria, Morocco and Tunisia, and more recently, the Mashraq countries, Egypt, Syria and Jordan. A similar pact will be concluded with Lebanon as soon as the Government there is in a position to do so. The agreement with Israel was tied up last year, but more recently a financial protocol has been added.

Of the other countries of the Mediterranean, Greece, of course, is negotiating for full membership and Spain is expected to do so as soon as it has a democratically elected government.

Integration

The Mediterranean agreements are more far reaching than Lome, in that besides providing preferential aid facilities and arrangements covering the needs of migrant workers in the EEC, they also envisage the progressive economic integration of the Mediterranean into the European economy.

But as M. Claude Cheysson, the energetic Brussels Commissioner for development affairs, likes to stress, unlike the U.S. and the Soviet Union, the Community's development aid policy towards the Third World makes no attempt to dictate the kind of society its recipients should build. The Community merely offers a range of development instruments — trade, aid and financial and industrial co-operation — which they are free to utilise in any way they wish.

The gap in the Community relations with the Third World which has now been thrown into sharper relief is the absence of any meaningful policy towards the developing countries of Asia. This was something which the U.K. Government, in particular, was very keen to develop from the moment it joined the Community, and under the stern prodding of Mrs. Judith Hart, during the period of renegotiation, there was a proposal for a steadily expanding aid programme towards what are termed in Brussels parlance, "non-associates."

However, with enthusiasm distinctly lacking in other parts of the Community for giving a global dimension to its special relations with the Third World, all that has been left of this British initiative has been sanctioning of aid expenditure to "non-associates" of 20m. units of account or some £8m. this year and the possibility of a little more next year.

Defenders of the Community's position will point to the EEC's scheme of generalised tariff preferences, which offers preferential access for industrial goods from developing countries and which, inevitably, tends to benefit Asia and Latin America. The scope of the scheme has been considerably enlarged for the coming year, with the value of industrial and agricultural products accorded preferential treatment planned to rise from some \$5.5bn. by value this year to \$8bn. in 1977.

In addition, the Community has tabled a list of tariff concessions on tropical products in the GATT multilateral trade negotiations, yet another element in the EEC's dialogue with the Third World.

Robin Reeves

A justified wave of pessimism

THE FRENCH have a tendency either to be cockahoop about their country or to view its performance and prospects as leading them straight into the deeper dungeons of hell. Neither attitude normally reflects the real situation, but the events of the past year and the prospects for 1977 and 1978 are a greater justification than usual for the current wave of pessimism which has engulfed the country.

Excluding presidential and parliamentary election years, few periods in recent times have seen a more striking turnround in both the political and economic situations than 1976. Since the beginning of the year, President Giscard d'Estaing, whose election in 1974 raised such great hopes of a wind of change, has suffered a progressive erosion of his authority and prestige, and the phase of rapid expansion during the first nine months of 1976 risks being nipped in the bud by the Government's latest anti-inflationary measures.

The Government's failure on the economic front—inflation is currently again running at an annual rate of between 11 and 12 per cent., unemployment is topping the 1m. mark and the rapidly mounting trade deficit is expected to reach about Frs.20bn. (about £2.5bn.) this year—has naturally undermined its popularity. But economic factors, important as they are, have merely contributed to the general malaise, the origins of which are mainly political.

Support

If France, to-day, is on the verge of a political crisis which could well shake the country to its very foundations, the reasons are to be found in a constitution which does not properly provide for the cohabitation of a president and a parliamentary majority of different political hues.

The first two presidents of the Fifth Republic, General de Gaulle and M. Pompidou, were always assured of the support of a National Assembly dominated by their own Gaullist Party. President d'Estaing, who comes from a different if related family, the Independent Republicans, has all along had a much harder time in winning the backing of the biggest coalition partner, which approves neither of his loose liberal philosophy nor his methods of government.

Given the disarray of the Gaullists following the 1974 presidential election, in which their own candidate, M. Chaban-Delmas, was ignominiously knocked out in the first round, the party was initially obliged to support President d'Estaing. The President's astute appointment of a leading Gaullist, M. Jacques Chirac, as his Prime Minister, and their own fears that the party might not survive if it remained outside the Government, gave them little choice. But the marriage was always one of convenience and was bound to engender severe strains in the longer run.

The tension between the President and the Gaullists has built up progressively throughout the current year, beginning with disputes over President d'Estaing's more Nato-orientated defence policy and his proposals for a capital gains tax, which were finally watered down heavily by the National Assembly. Gaullist irritation with the political manoeuvres of the Independent Republican and Centrist parties, who have been striving in vain to oust them as the leading political force in the Government's camp, culminated in the dramatic resignation of M. Jacques Chirac in August and his replacement by a non-party technocrat, M. Raymond Barre, a former vice-president of the European Commission.

The replacement of a Prime Minister by a French President whose term of office lasts for seven years, is nothing unusual. But this was the first time in the 18-year life of the Fifth Republic that a premier had resigned of his own volition and, what is more, had made public the reasons for his step.

M. Chirac explained in the clearest possible terms that the President had refused to give him the authority and powers which he considered the Prime Minister should have. What he was referring to specifically was the authority to organise the coalition parties into an effective force which could beat the Socialist-Communist opposition at the municipal elections next year and in the general election due in the spring of 1978. And implicit in his demand was that the Gaullists should form the spearhead of the united coalition.

President d'Estaing felt that he could neither tolerate the tactics proposed by M. Chirac, who had also demanded the calling of early parliamentary elections, nor the weakening of his own authority which acceptance of his Prime Minister's "ultimatum" necessarily involved. President d'Estaing has always considered—and the point is again forcibly emphasised in his book "Democratie Francaise," published in October—that the French people want to be governed from the centre. His whole reformist strategy has been geared to preventing a polarisation of French politics and to winning the support of both moderate right-of-centre and left-of-centre opinion.

Tactics

His original hope was that the Socialists could be weaned away from their Communist partners in the union of the left and be persuaded to join a centre-left Government which, though it might still contain Gaullists, would no longer be dependent on their support.

This strategy has become less and less credible with every day that passes. Not only has President d'Estaing failed to make any inroads on the Left, but he has lost the unconditional support of the Gaullists, who have recently made clear that they will oppose a number of projects dear to the President's heart, including the parliamentary ratification of direct elections to the European Parliament.

Encouraged by their relative success in recent by-elections, including the re-election of M. Chirac to his old parliamentary seat, the Gaullists have accepted with alacrity the former Prime Minister's proposals to give the party a new more universal image, while remaining true to the old Gaullist precepts of national independence and grandeur. They look upon M. Chirac as their saviour and as the only man who can beat the Left and, eventually, win back for them the Presidency of the Republic.

M. Chirac's criticism of President d'Estaing's political laissez-faire attitude appears to be supported by the impressive progress which the Socialists, though not the Communists, have made both in the public opinion polls and the by-elections which have just been held. In two of the Constituencies, Socialist candidates ousted the Independent Republican incumbents from their seats, and their overall support in the country is now believed to exceed 30 per cent. of the electorate. The likelihood of a left-wing victory at the 1978 general election is therefore growing all the time, and with it the prospect of a constitutional crisis caused by a much greater incompatibility between the President's policies and those of a left-wing parliamentary majority than exists even today.

The President's policy, meanwhile, is that it is much too early to embark on a political campaign and that priority should be given to the most important problems facing the country, those of inflation, the rising trade deficit and unemployment. In a sense, of course, these problems are also political because President d'Estaing realises that the present coalition stands an even smaller chance of winning the general election while they remain unsolved.

Though France's economic recovery, thanks to an improvement in the world economic climate and the massive reflationary package adopted in the autumn of 1975, was only just gathering pace, the new Government of M. Barre, appointed in September, decided on an immediate change of direction. The depreciation of the franc after its withdrawal in March from the European currency "snake" and the long summer drought had given a sharp new twist to the inflationary spiral and was producing chronic monthly trade deficits, due in large measure to the higher price in terms of francs of imported oil.

Freeze

The anti-inflationary measures adopted by the Government, which included a freeze of industrial prices until the end of this year, a freeze of public sector prices until April next year and tax rises, did not go as far as blocking wage increases because of the political sensitivity of such a step. But M. Barre set what was virtually a mandatory target for wage and price increases in 1977 of 6.5 per cent., compared with a current inflation rate of more than 10 per cent.

The effect of the Barre plan will clearly not be fully felt until the end of the first quarter of 1977, but doubt has already been cast on its effectiveness by the refusal of the services sector to apply the price regulations. In October, for instance, this sector was largely responsible for an overall rise in the cost-of-living index of 0.9 per cent.

Meanwhile, the business climate has again deteriorated, partly as a result of the psychological impact of the austerity package and partly because of the prospect of a victory of the Union of the Left, whose programmes includes nationalisation of many of the country's biggest companies, at the forthcoming general election.

The sharp increase in industrial production, which was running at an annual rate of 10 per cent. as late as September and has taken the industrial production index to above its pre-recession level, is beginning to flatten out. Industrialists, according to the latest survey of the National Institute of Statistics, have become very pessimistic. Their order books both for capital and consumer goods are beginning to empty and investments, which never really picked up sufficiently even during the rapid period of expansion in the first nine months of this year, continue to stagnate.

At the same time, the employment situation is becoming critical in many sectors. More than 50,000 workers will be laid off in the steel industry between now and the end of the year and many tens of thousands more in the textile, chemical and construction industries.

President d'Estaing's Government is therefore faced with an up-hill battle on both the political and economic fronts. Even if it wins the fight against inflation, it is unlikely to beat unemployment. And even if, by some miracle, all the country's economic problems are solved by early 1978, the President will still have the Gaullists stabbing him in the back while he is preparing to do battle with the Union of the Left.

Robert Mauthner
Paris Correspondent

THE NETHERLANDS

Little to enthuse about

WHEN THE Netherlands hands over the EEC Presidency to Britain at the end of this year, it will look back on its six month term with mixed feelings at best. Normally the most *communautaire* of the Nine, it had hoped to give the stagnating unification process some fresh impulse. Instead, the economic recession has forced the member countries further apart rather than encouraging them to look for joint solutions.

Certainly from the Dutch point of view, this month's EEC summit meeting in The Hague has proved to be a disappointing affair, without any major agreements being reached. The final declaration on the north-south dialogue in Paris did not produce the hoped for breakthrough and did not go far enough for the Dutch, who were readier to meet the poorer countries' demands than many of the other industrialised countries. At one stage, it was even threatened that Holland might grant concessions on a bilateral basis.

The Dutch Government had also hoped that the current period of apparent slowdown in the economic recovery would have forced the European Government leaders to consider joint action on the financial-economic side, for which Dutch proposals had been submitted. The Duisenberg Plan, named after the Dutch Finance Minister who had drawn up the proposals, which aimed to achieve greater monetary co-operation received a fairly favourable response during the talks in The Hague, but, significantly, no decisions were taken on them. The Duisenberg Plan was regarded as Holland's most important piece of work during the presidency period.

Familiar

Domestically, Holland's problems are familiar: a high unemployment figure, a still too high rate of inflation and general pessimism about the economic prospects. The picture is made more complicated by the fact that general elections will be held next spring, and election manoeuvring started a couple of months ago. The country, contrary to assumptions abroad, has recovered remarkably quickly from the downfall of Prince Bernhard over the Lockheed payments scandal. Concerted action by almost every political party has managed to keep these traumatic events out of local politics.

The outcome of May's elections is as unpredictable as ever, but one thing is a certainly — the new Government will again be a coalition, as every Government has been since the war. The current Centre-Left coalition of three Left-wing parties and two Christian democratic parties has been in office since 1973 with socialists from the PVDA Labour Party holding the main cabinet portfolios. Prime Minister Joop den Uyl, Foreign Minister Max van der Steel and Finance Minister William Duisenberg are all members of the Labour Party, the dominant force in the Left-wing bloc, and so is Defence Minister Henk Vredeling, who has just been nominated to the European Commission in Brussels. Holland's controversial Defence Minister, once a member of the European Parliament in Strasbourg, is an agricultural specialist by training and his roots are in the trade union movement. It is widely expected in The Hague that Mr. Vredeling will succeed his countryman Pierre Lardinois who is resigning as Agricul-

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A change of direction

T GERMANY, always one he stoutest proponents of European ideal, appears to sing heart in the wearying ess of putting Europe ther. The commitment in is remains: Germany still ts it is willing to surrender mal sovereignty in the pean cause. There are still s too: notably in Germany's tence on direct elections for European Parliament and its nuing commitment in terms old cash. But Germany's ghts are elsewhere.

Irope is no longer the focus attention of the German s or of the talk in Bonn's ldors. The Government is e concerned about the Third ld, about America and its President, about the mainnce of West German wealth security within the context he western industrialised d and of NATO. This is a der design, in which the ing towards European n *a la* Tindemans is only *b-plot.*

is heresy to suggest this in n—as much a heresy as it suggest that the goal of re-unification of the two nanys has become a lipice ideal whose impractiy is admitted by just about y German one talks to. It is sy because in neither of e questions are there le in German politics who come out openly against motion. The measure of ain's effective commitment urope is the extent to which "pros" can outflank the tis." The measure of the ach commitment is the extent to which the French President can outflank the Gaullists. There is no such measure in unanimous Germany—only a comparison of the thoughts, words and deeds of Helmut Schmidt, Hans Dietrich Genscher, and the senior officials around them.

In recent speeches and interviews Herr Genscher and his Minister of State at the Foreign Office, Hans-Jurgen Wischnewski, have spelled out the areas in which West Germany would like European progress to be made: The list reads:

1. A co-ordinated fiscal, economic and monetary policy;
2. The reinforcement and democratisation of Community institutions;
3. The expansion of European political co-operation—that is, the *development of a Community foreign policy;*
4. Speedy negotiations for the accession of democratic Greece.

Espoused

West Germany has continuously espoused the idea of economic co-ordination but it has ceased of late to make any suggestions in this direction. It has turned down a French plan that was certainly rather extreme. It has reacted icily to a more reasonable looking suggestion by the Dutch Finance Minister, Willem Duisenberg, calling for target zones for non-snake exchange rates. The sad fact is that 1976 has been a year of increasing economic divergence within Europe and that Germany, the strongest member in economic terms, can no longer envisage a European solution to the problem. Germany cannot because it finds the collective political will in Europe too weak for any formal proposal for more co-ordination to be worth making. It cannot because the most tangible effect of such proposals tends to be yet another German pay-out. It cannot because any German initiative seems fated to raise talk of bullying, schoolmasterish Germany.

So the Germans, while still preaching co-ordination and economic discipline, have really resigned themselves to the view that the solution to the problem of divergent economies can only be found within the larger community of industrialised nations. Hence they regard the IMF and *not any European institution as* the most suitable economic referee. They look to the U.S. for the lead in keeping faltering economic recovery alive. Europe waits for Schmidt. Schmidt waits for Carter.

The West German government certainly makes financial sacrifices for Europe and has said it is willing to make more. It has paid a certain price to keep the currency snake *alive* as a remnant of the ideal of monetary union and as a source of economic discipline for its members. Yet there has been growing resistance to this snake within Germany because of the way in which its support has clashed with Germany's aims in economic management.

Germany is ready to pay more for Europe and for Third World aid, but is it ready to compromise its economic principles as part of the loss of sovereignty? Or does economic and monetary union really mean "Europe German-style?" Any suggestions out of Brussels that have a scent of European dirigism about them—the proposal, for instance, that large industrial investments should be centrally registered to keep track of industrial capacity—have been received with frowns in Bonn.

Then there is the democratisation and strengthening of Community institutions. Chancellor Schmidt was one of the founders of the European Council, the meeting of European heads of State. The hope pinned to this idea was that European momentum would be generated at the highest level. *Another symbol of the same* hope was the telephone line between Helmut Schmidt and Valery Giscard d'Estaing.

Different

It soon became apparent that what Giscard could say down the telephone and what he could get away with in Paris were very different things. The same proved true of the Council. So having taken its hopes all the way to the top, West Germany has gone right back down to the bottom. It is putting its faith in a slow kindling of European political will through the democratisation of the European Parliament. This has been the area of the outstanding contribution by Germany to Europe this year. Bonn has applied relentless pressure to get direct elections to this Parliament going by 1978, and it may well have succeeded. The success has been achieved by suppressing all speculation over the powers of European MPs. The important thing was to get them elected and arguing.

Bonn's attitude towards the Brussels Commission has been the subject of a bitter exchange of comments in the European Press in recent weeks. Helmut Schmidt told Parliament quite categorically in April that "the Nine governments must for the first time grant the new-President designate influence in the decision to appoint members of the Commission." Yet when the new President-to-be, Roy Jenkins, tried to replace one of the German commissioners with Hans-Jurgen Wischnewski it transpired that Herr Wischnewski was too valuable to the Bonn Government and could not go.

The irony in this was that at the beginning of November Herr Wischnewski had denied in an interview that the closeness of the outcome of the recent German general election would make the Schmidt Government more introspective and less European-minded. The fact that this able politician was then judged to be indispensable was a piece of evidence to the contrary.

In the development of European foreign policy West Germany has played as active a part as any of the Nine. The Foreign Minister, Hans Dietrich Genscher, whose loyalty to the European idea is hard to fault, often stresses the common European stance on CSCE in Helsinki and the high degree of commonality reached in the UN as important outward signs of Europe's cohesion. It is clear, however, that in considering the really important foreign policy decisions West Germany's frame of reference expands beyond the EEC into the larger realms of NATO and the OECD mentioned earlier. Helmut Schmidt must wait for his first summit with President Carter before he can meet Leonid Brezhnev. The new U.S. President must make his standpoint clear before West Germany develops its rather embattled position in the "North-South dialogue" over raw materials.

European union remains an ideal for West Germany but it is an ideal that is playing a gradually smaller part in the reality of West German policies. The days of visible European enthusiasm are past. Chancellor Schmidt told a German business magazine recently that economic and monetary union remained the German aim but that "anyone can see that at the moment it is particularly difficult to make progress along the path towards this goal." Herr Wischnewski said: "It is time to see that in European policy too there cannot always be something new going on."

The image that West Germany projects of itself is of a country making every effort towards the European ideal, while some other members pursue their own ends and sometimes criticise West Germany for its excessive zeal. Of course German politicians stress Germany's self interest too. In speeches before Parliament they stress that Germany's financial sacrifices for the EEC are in Germany's own interests. But these interests are always portrayed as lying *within the European context.* Because every political party is pro-Europe, because it is taboo to talk in non-European terms, Germany's politicians cannot admit that West Germany's best interests may sometimes be pursued beyond this context and even in contradiction to it.

Nicholas Colchester
Bonn Correspondent

Construction in progress of a nuclear power facility at Geesthact on the Elbe near Hamburg. The plant is expected to be operational in 1978.

THE NETHERLANDS

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al Commissioner to become irman of the giant Dutch obank, an agricultural dit bank run on a cooperahasis.

Intil recently, Dutch political lysts felt that the most likely come of the spring elections ild be a continuation of the rent coalition. But a major nion poll published in tember has introduced more ibts about the outcome. It gested a victory for the main osition party, the liberal D Party and predicted that iove away from the Left may in the offing.

Perhaps even more surpriswas the prediction of gains the Christian Democrats, o recently united into the A (Christian - Democratic peal Party). It is headed by es van Agt, the current tch Justice Minister, who is Deputy Prime Minister. Whereas the liberals, the poll ecast, would have jumped m 22 seats in the 150mber second chamber to an onishing 39, the poll showed CDA winning an additional r seats after several years of ninishing electoral support the three individual ristian democratic parties, th 52 members, the CDA uld have become the largest ty, overtaking the current t-wing bloc, which would lose of its 55 seats in the poll.

It would certainly appear that CDA is gaining support m people who have become satisfied with the growing arisation between Left and Right. In the meantime, it continues to be a matter of speculation which bloc the party will side with should it become the largest party after the elections. And there are voices within the Labour Party that advocate a return to opposition should it be reduced to a minority partner, unable to direct policy as it has done in the recent past.

Forefront

Economic issues will be to the forefront of the elections, which come at a time of wide-ranging debate in Holland on the country's social and political future. The country has built up a reputation as a super-welfare State, but this has become enormously expensive at a time when Dutch unemployment is at a historic high of over 5 per cent. The reduced rate of economic growth and, equally important, the prospect of a gradual reduction in the vast income from natural gas sales as supplies have reached their peak, have already forced the acceptance of a cutback in public spending. Even the sensitive subject of the linking of social security pay, minimum wages and pensions to the cost-of-living index is now under discussion.

The economic picture is of a strong external position with a number of serious internal problems. With the aid of natural gas income, the balance of payments position continues to be as healthy as ever. The Central Planning Bureau (CPB) estimates a current account surplus of Fls.5.5bn. for 1976, which will rise to Fls.6bn. next year.

Though many of Holland's problems are familiar to those in other countries, worries are often expressed about the level of wage costs which have made Dutch produce very expensive. The relative strength of the guilder in export markets has also been a handicap for a country so dependent on trading for its prosperity.

Although inflation is being tackled and progress has certainly been made, it is still estimated that prices will rise about 9 per cent. this year, well up on the rate of inflation in neighbouring West Germany, major competitor in business and a country whose economic performance Holland would like to match. For 1977, however, the CPB expects prices to rise at a substantially lower rate of 6.5 per cent., though the Bureau has proved to be somewhat optimistic on more than one occasion in the past. Wages are expected to increase by 9-9.5 per cent. this year and by 8-8.5 per cent. in 1977, the CPB calculates.

Another problem is the controversy caused by the growing pressures from the trade union movement for social reforms in return for wage restraint. As might be expected, these efforts, which are supported by the majority of the Government, are disliked by companies who are already reluctant to step up investment. Examples of social reforms are the efforts to introduce some sort of an "excessive profits" sharing system, plans to step up industrial democracy by revamping the works council system, and the so far timid attempts by the Government to try and win some control over investment in the private sector.

Michael van Os
Amsterdam Correspondent

ITALY

EUROPE

Manoeuvring on two fronts

ITALY FACES 1977 with two fundamental priorities — restoring competitivity to the economy and ensuring the survival of the present minority Christian Democrat Government led by Prime Minister Giulio Andreotti until such time as a more broadly based alternative is in sight. Both are highly problematical.

On the political front both Prime Minister Andreotti and Communist Party leader Enrico Berlinguer have adopted policies which are fraught with uncertainty. The elections last June, called in the immortal words of Italian politics "to clarify the situation" did nothing of the kind. The Christian Democrats retained their post war position as the largest single party, but the Communists gained over 3m. votes and now have 34.5 per cent. of the popular vote behind them compared with 38.7 per cent. for the Christian Democrats. The Socialist and the other intermediate parties, with the exception of the Republicans, lost ground. A bitterly disappointed Socialist Party rejected its leader and brought in the 43 year old Bettino Craxi, who declare that the party would intensify its search for an "autonomous" role between the two majors of Italian politics and in the meantime would refuse further cooperation in Government with the Christian Democrats.

This meant that, in spite of the continued existence of a numerical majority for the Centre-Left coalition (under which Italy was governed between 1963 and 1974) the real choice of potential Governments lay between a shaky minority Government of Christian Democrats or some form of that broad coalition of all democratic parties (that is to say, including the Communists but excluding the neo-Fascist MSI), for which both the Communists and Socialists, with differing interpretations, had campaigned during the elections.

Strides

But the basic fact of Italian politics is that there can be no inclusion of the Communist Party into the Government at a national level without the consent of the Christian Democrat Party. Not only did the Christian Democrat Party continue to refuse its assent after the elections, but internal developments since have reinforced this refusal in a way which makes the prospect of an eventual "historic compromise" rather more remote than before.

This has not, however, prevented the Italian Communist Party from making great strides in local politics, where eight out of ten major Italian cities are now run by local authorities in which the Communist party plays a major role; the same goes for six of Italy's 20 regions and thousands of smaller towns and villages throughout the country.

This has reinforced the duality of the Italian political scene. Clear dividing lines are not, however, a feature of *Italian politics, and nowhere* can this be better seen than in the form of the eventual compromise which led to the formation of the present Government last August.

The agreement hammered out after weeks of over and under-the-counter bargaining led to the formation of a Government without a majority in Parliament and dependent for its continuing survival on the abstention of all the other democratic parties, including the Communist Party. A large part of the price paid for this com*promise was the abolition of the* former convention under which Communists were barred from the chairmanship of the parliamentary institutions and the parliamentary legislative committees which draft and prepare laws. Thanks to this agreement Signor Pietro Ingrao, a veteran Communist, is now the equivalent of "speaker" in the Chamber of Deputies and seven out of 22 parliamentary committees of both houses have Communist Chairmen.

The Communist Party made no secret of its intention to use both *its increased share of* parliamentary seats (it now has 228 out of 630 in the lower house against the Christian Democrats 263) and its new chairmanships to revitalise the role of Parliament, institute hearings and committees of inquiry and generally increase Parliament's control over the executive.

The results so far have not been quite up to expectations. Many of the really important decisions are still taken in smoke-filled rooms on the basis of factional power struggles or through discreet soundings between Government and its abstaining "partners." But Parliament has been the centre of debate on the Government's austerity package, Ministers have been interrogated on departmental policy, budget provisions, the Montedison saga and many other topics. It is a development which has started to keep politicians of all parties more on their toes—even though many of the debates and committees have in practice still been poorly attended.

Yet it is a situation which has not pleased many influential sections of Signor Andreotti's party—who fear that it gives too much importance to the Communist Party—or many Communists either. The PCI, after all, fought the election on the basis of either joining a future Government or continuing its opposition. By opting for abstention it has done neither. In exchange for a greater direct and indirect influence over Government policies it has agreed to keep the Christian Democrats in power. What is more this has entailed lending its support to the Government's austerity economic policies and trying to convince an increasingly restive rank and file that in the present circumstances the public enemy *number one of all* Italians, including Communist voting Italians, is inflation. That is not the message of 30 years of class war rhetoric to which the party has been accustomed, even if increasingly in the attenuated Gramscian form.

Bitter

For many Christian Democrats, however, the acceptance of Communist abstention, the reallocation of parliamentary posts and the Communist Party's advance locally are bitter and ultimately unacceptable pills. Significantly the Christian Democrat Party at the grass roots level has reacted most strongly in areas, particularly in Milan, Turin and the north generally, now under Communist local administration. The new radical catholic movement Comunione e Liberazione, young right-wing leaders like Massimo de Carolis in Milan and Rossi di Montelera in Turin have all taken a radically anti-Communist, conservative line and are making life difficult both for Signor Andreotti and Party Secretary Benigno Zaccagnini. Fears that Signor Andreotti might prove too successful in obtaining all party consensus for an effective austerity and renewal programme and so create an overweening power base for himself similar to that held in the immediate post-war period by Alcide de Gasperi have also led to the all too familiar back-stabbing operations from both left and right wings in his own party.

Add to all this the internal problems of the Socialist, Social Democrat and Liberal Parties, who are all searching for their own identity, and a split between moderates and hard liners even in the neo-fascist MSI, and it can be seen that Italian politics is still very much the familiar kaleidoscope of unpredictability.

And yet, in spite of all the uncertainty the fact remains that, under the insistent prodding of Italy's international creditors and the preoccupied eyes of Europe and the American Administration—both old and new—a certain air of reason and urgency has permeated Italians' awareness of the nature and extent of their economic and political difficulties. The fact that in mid-November the Government obtained in effect all-party consensus on the need for its L5,000bn. austerity package should not be underestimated. True, the bulk of these measures still have to be actually ratified by Parliament, but the underlying agreement is there. At the same time Signor Andreotti has also persuaded the unions and the employers' federation Confindustria to sit down together and hammer out ways and means of lowering the unit cost of labour—specifically by measures to increase productivity, reduce absenteeism, reduce mid-week public holidays from 17 days to ten, and agree on improved labour mobility to ensure more effective use of plant. A major area of controversy remains, however, over measures to limit the built-in inflationary effects of the automatic cost of living index system. Signor Andreotti is going to Washington early in December for talks on the over*all political and economic situ*ation, but the feeling among well informed economic and banking circles here is that the timing and amount of future loans to Italy will depend largely on the outcome of the union-Confindustria talks.

These are the keys to restoring Italy's international competitivity and reducing pressure on the lira, which at present is doubly protected, first by the import deposit scheme, which under EEC pressure has to be gradually eliminated by next *April, and by the 7 per cent.* foreign currency purchase surcharge, which also has to be eliminated by February. Over the last few weeks the lira has been helped by the inflow of Italian capital from abroad due partly to high domestic interest rates but mainly to Government measures obliging Italians to repatriate their illegally constituted foreign deposits and investments, and tougher laws against the illegal export of capital. But the real problem is that of raising productivity and lowering costs.

Without improved competitivity and higher exports the L5,000bn. austerity package is expected to result in zero growth next year. This, it is hoped, will be accompanied by a turnround in the balance of payments from this year's expected \$2.5bn. deficit to a current account surplus of around \$1bn. in 1977. Even a turnround of this dimension, however, will not be sufficient to cover capital and interest repayments on existing foreign *debt, which in the three years* since the oil crisis of 1973 has risen from \$7bn. to \$17bn.

Italy's daunting economic task is to repay or re-schedule its existing debts, raise its exports and undertake a series of structural reforms aimed at reducing the public sector deficit and increasing public sector efficiency. It also has to finance its nuclear energy programme and an ambitious L6,000bn. industrial reconversion plan now under study in Parliament. The resources can only come from reduced consumption, higher productivity and further recourse to foreign capital, which in turn will only be forthcoming in sufficient quantities if progress is ... to be made on the above ... lems and if the political ... tion becomes more stable.

Failing progress along ... lines Italy faces a very ... tain future and risks a ... South American type ... devaluation spiral — ... proximity has already been ... vealed by the three lira ... already this year and the ... shock inflation figures for ... ber, which show a 3.4 per ... rise for the month, due ... part to Government ... such as the higher petrol ... which is part of the ... package. All that can be ... is that such a development ... would be disastrous not ... Italy but for Europe and ... West as a whole.

At this stage the ... Andreotti-Berlinguer ... standing and the trade ... Confindustria dialogue ... to be the principal stabi... factors in an extremely ... carious overall situation. ... Neither the Communist ... nor the unions have any ... *to see the economic* situ... deteriorate further and are ... pared to make sacrifices ... the hope that their respo... bility will be rewarded ... greater employment sta... and the eventual *formal* ... of the PCI into governm...

But it is precisely the ... pect of an eventual "his... compromise" which is cre... what appears to be a ... reaction within the Chri... Democrat Party. At this ... Signor Andreotti's ... depends more on develop... *within his own party* th... change in the tactics of ... Communist Party.

Pressure

Pressure appears to be ... ing within the Christian De... crats to end what Se... Fanfani has defined as ... "anomalous situation" and ... more rigid lines between ... ernment and opposition.

If pushed to its logical ... clusion this could even... lead to the fall of Si... Andreotti's Government, a ... ably abortive effort to get ... Socialists back into a resum... Centre Left, the withdraw... the Communist Party's ... support, and in this way ... the conditions for yet an... political crisis in the next ... leading to the early dissolu... of Parliament and the ra... polarisation of Italian poli... against the background of ... rapidly deteriorating econo... situation.

The stakes are prob... higher than at any time in ... life of the post-war Ita... Republic. Much depends on ... skill of Signor Andreotti ... the sense of responsibility ... employers, unions and ... political parties, especially ... Christian Democrats. Prob... the best that can be hoped ... is for the present spirit of ... promise to last long enough ... the economic situation ... improve, in the hope that ... might create a rather less ... backdrop to what could ... wise prove to become a ... tially disastrous confront... between a newly radic... Christian Democrat Party ... the Communist Party.

Anthony Robin...
Rome Correspo...

BELGIUM/LUXEMBOURG

Recovery loses momentum

THE ECONOMIC shadows are again lengthening menacingly over Belgian industry. The recovery of the early part of the year, which was expected at least to provide some time to solve the structural problems of the economy, has proved short-lived, and the latest indicators are all showing precious little signs of momentum. On the political front the Government faces difficulties in prolonging its wage and price controls while the Parliamentary situation has been made precarious by the disintegration of one of the coalition partners. Meanwhile, although the situation has been somewhat clarified, it is difficult to see any sustained momentum being generated to tackle the perennially difficult Problem of Belgium, which is how to work out a *form of Government* which will induce the Dutch-speaking Flemings and the French-speaking Walloons to remain Belgians while at the same time arriving at a formula to give the city of Brussels a status and economic base to survive in a federal state.

The truths of economic life are dictated by the fact that Belgium exports 50 per cent. of its production, which is characterised by semi-finished and transformed materials in which steel plays a large role. This means that the costs of imported raw materials and the cost of industrial production are crucial to the competitivity of Belgian industry on export markets, particularly so since West Germany, with its strong currency and relatively modest inflation, constitutes at once the most important market and a significant competitor.

A considerable part of Government energies over the past year have been devoted to trying to take the sting out of the system of automatic indexation of salaries to the cost of living on a monthly basis. Although some reforms have been introduced, and the basket on which the index is calculated has been tidied up, the index still reflects disproportionately seasonal items and price elastic commodities ... gives far too little weight ... those elements in the ... budget—like mortgages, ... often rents—which represent ... declining proportion of ... expenditure.

The freeze on certain pro... sional fees, the rent freeze ... modified price controls will ... reach the end of their ... with the turn of the year ... the Government's intentions ... to what is to follow are ... clear. Its problem is that ... the persistence of very ... levels of unemployment (tho... the formal statistics al... exaggerate the situation be... they are a percentage only ... the non-civil service element ... the workforce) the Government ... has no margin of tolerance ... its relations with the ... organised in a Christian and ... Socialist federation.

The Government has al... been obliged to concede the ... mand for measures to stimul... employment in the form ... early retirement, hiring of ... workers and the like, ...

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Wage confrontation produces a crisis

ENMARK has been plunged o what appears to be one of more serious crises of recent ars by the events of the it few weeks. The event which ought the crisis to a head was e week-long unofficial strike at e end of November by 1,200 ivers of oil and petrol tankers. fore any serious damage was ne either to industrial output a shivering Danish popula- n, the strikers went back to rk. But they had made their int—they could hold the untry to ransom.

But while the physical conse- ences of the strike were not rious, its political conse- ences were. It brought about a o-tier clash of authority be- een Parliament and the union ovement on one hand and be- een the unions and the militant section of their members on the other.

To understand what is happening it is necessary to go back to December 1973 when the Folketing (Parliament) elections doubled the number of parties represented from five to ten. The pattern of parliamentary representation, which had been fairly stable since the 1920s, was shattered. Among the newcomers were the Communists and the left-wing Socialists (a part Maoist group) and, most important of all, the anti-tax Progress Party led by lawyer Mogens Glistrup, which was and remains the third largest party in the Folketing.

The 1978 election was potentially a serious threat to the stability of governments to govern, but both the 1974 Liberal Government and the subsequent Social Democratic minority Government succeeded in compromising their way with immense skill to generally sensible and effective policies. The point now seems to have been reached, however, where the inherent weakness of a legislature in which there is no natural majority grouping—and its complement, a weak executive—has brought about a situation which it will be extremely difficult for the political authorities to control.

The current crisis erupted against the background of an economic policy compromise in August between the Social Democrats, the Radicals, the Centre Democrats and the Christian People's Party. The compromise involved indirect tax increases and public spending cuts to clamp down on consumer demand following a record increase in the current balance of payments deficit, but more important were the incomes policy sections of the deal.

This was incorporated in a parliamentary resolution enjoining the unions and employers to conclude a collective wage agreement next spring which would prevent incomes from rising by more than 6 per cent. a year in 1977 and 1978. This meant that there would be 4 per cent. to cover automatic cost of living-linked threshold increases and only 2 per cent. for the unions to bargain for with the employers. The other incomes policy measure partially defused the threshold system. The parties agreed that if the cost of living gave rise to wage increases exceeding Kr.1.20 an hour (about 4 per cent.) in each year, the additional increases would be paid by the State to the National Pension Fund and not paid out as wages by the employers.

Threshold

Both the intervention in the threshold system and in next year's collective bargaining raised howls of protest from the unions, opening up a serious rift between them and the Social Democratic Government. "Legalised robbery" was TUC chairman Thomas Nielsen's description of the compromise.

The reaction of the TUC and its member unions might have been less violent if they had been in full control of the union movement, but in the past few years the TUC's authority has gradually been eroded by the activities of union militants. The unions as such could do little about the August compromise. The collective wage contracts make them collectively, and their members individually, legally responsible for maintaining labour peace during the period of agreement. This, of course, does not deter the militants, who saw the August compromise as a heaven-sent opportunity further to undermine the authority of the union "establishment."

Throughout the autumn there has been a wave of unofficial strikes, of which the tanker drivers' strike was merely the most spectacular. The aim is to obtain large wage increases now on the grounds that they will not be obtainable in the spring—a policy which, if it were to succeed, would completely undermine the incomes policy.

Politically the fat was thrown in the fire with a demand from the opposition Liberal and Conservative parties for a wage freeze to prevent the undermining of the incomes policy before it was even implemented. The Social Democrats could not reject this proposal out of hand as they could easily have found themselves in a minority in the Folketing if they did. They therefore went into negotiations with the August compromise parties, plus the Conservatives, to find means of putting an end to the unofficial strikes. In the course of the negotiations, the Government apparently agreed to a plan to introduce civil court fines (in addition to existing Labour Court fines) for anyone who went on strike in breach of the collective wage agreements. It reneged on this deal—if there was a deal—when the TUC vetoed the plan.

The Government and Prime Minister Anker Joergensen were made to appear as the puppets of the TUC by this development, though the real mystery is why on earth Mr. Joergensen, a former trade union leader, put himself in a position where he was on the verge of making it a criminal act to go on strike, quite possibly provoking a general strike in the process.

The manoeuvre placed the Government in a probable minority position, had it been put to the test in a Folketing vote, but Mr. Joergensen refused to resign, saying that an election would solve nothing and might make matters worse (he was indirectly referring to the high Gallup poll ratings for the Progress Party). He called for renewed talks to find ways of preventing a collapse of the incomes policy, and this was the situation at the time of writing.

Whether or not the Social Democratic Government rides out the parliamentary crisis this month without having to call an election, the situation is bound to remain extremely tense for several months to come. The clash between the Folketing and the union movement will not be resolved until the 1977-78 collective wage agreements are safely signed, and perhaps not even then.

The unions are asking for wage increases in the range of 10 to 15 per cent. next year, and the militants have adopted a programme which involves demands of at least 30 per cent. Even if the TUC, which under the centrally organised wage bargaining process is responsible for negotiating the collective agreements, accepts the Folketing's "two plus four per cent." formula, there is no guarantee that it will be able to get member unions, let alone the militant members, to accept such an agreement.

A similar situation arose in 1956 when the unions refused to accept a wage settlement imposed by the Folketing after negotiations with the employers had broken down. On that occasion the Social Democratic Government, led by Prime Minister H. C. Hansen, came out on top. He has become something of a myth and a hero for his strong stand on that occasion, enshrined by his remark, with reference to the strikers: "No one is going to piss on me." To-day's situation, however, looks considerably more threatening, as the Social Democratic Party, the Government, the Folketing and the TUC are far weaker than they were in 1956.

The August compromise economic measures were forced on the government by a serious deterioration of the current balance of payments deficit. This in turn was due to a stimulus to demand in the autumn of 1975, involving, among other measures, a temporary five-month reduction in value added tax. The result was a formidable consumer spending boom, with private consumption this year rising by about 6 per cent. in volume terms and imports by about 24 per cent. (30 per cent. by value). The trade deficit for the first nine months of the year came to a record Kr.14bn. and the current balance of payments deficit to Kr.8.3bn., which means that it is running at an annual rate of over 4 per cent. of GNP.

Deficits

In view of the country's long history of payments deficits and the build-up of a net foreign debt of about Kr.37bn., or 15 per cent. of GNP, the Government had no alternative but to cut back demand again, although unemployment is still running at about 5½ per cent. of the total labour force.

If 1976, chiefly owing to the massive rise in private consumption, was a good year for the consumer, 1977 is likely to be a thoroughly bad one. The Economic Advisory Council's chairmen (Denmark's "three wise men") are predicting a 1 per cent. growth this year for Denmark in 1977, with a similar rise in private consumption and no stimulus to demand from anything but exports. The council chairmen themselves say that their forecasts are based on "optimistic assumptions."

The outlook they have sketched involves a sharp rise in unemployment, but it would bring the current balance of payments deficit down to about Kr.6-7bn. and prevent a resumption of inflation, now running at about 8½ per cent. a year. If the Government manages to carry through its incomes policy, the council chairmen consider that the inflation performance could be down to 3-5 per cent. a year by 1978. But as this article has indicated, it is a big "If."

Hilary Barnes
Copenhagen Correspondent

BELGIUM

CONTINUED FROM PREVIOUS PAGE

which have loaded additional costs on industry, which has traditionally complained at the high level of its charges. This comes on top of a growing chorus of complaint about the declining profitability of industry over a long period and the growing difficulty in raising capital for expansion.

The belief that higher imported materials prices would very soon work through via the indexation system to higher industrial costs was the main reason for the prolonged defence of the Belgian franc over the first three-quarters of the year, a defence which cost the country heavily in reserves (which have since been reconstituted substantially). In addition the banks were subject to a series of draconian controls on liquidity to dry up the source of speculation and interest rates driven up to historical levels in the interests of defending the currency. In the event the two per cent. D-mark revaluation was sufficient to remove the immediate crisis from the market place, though it fell well short of what had been forecast. Whether the pressure stays off the franc will ultimately depend on the resumption of economic growth and the control of inflation (running at 8½ per cent. a year)—a precondition for the dampening down of the effects of indexation.

Abrupt

The period of fairly stable politics was brought to an abrupt end in November when the small Walloon nationalist party, the Rassemblement Wallon, fell apart. The R.W. had grown out of Socialism in the French-speaking part of the country, and its raison d'etre was to press for a federal system in Belgium, permitting the depressed and economically backward Wallonia—the region of coal and steel and traditional heavy industry—to take its own salvation into its own hands. It joined the coalition of the conservative Social Christian Prime Minister, Mr. Leo Tindemans, on the condition that devolution would get under way, and its 13 seats gave the Government its majority.

But the party was never happy in its skin, with the moderate wing—broadly the bits of the party involved in Government—and the "country" wing finding it harder and harder to rub along. The local elections of October saw the RW badly beaten in Wallonia by the Socialists, and in November it came apart, with its ministerial members seceding to the Walloon Liberals.

The feeling in late November was that there was little way of avoiding elections for Parliament in the early part of 1977 to resolve the impasse, with the likely result being a strengthening of the conservative hold on Flanders and a consolidation of the traditional Socialist control of Wallonia.

In other respects the local elections cleared the air. By establishing two big parties as the undisputed masters of their own bailiwick (although the Flemish nationalist Volksunie maintained its representation in Flanders) it made it easier for the big parties to act as spokesmen for their linguistic group in the federalism debate. Brussels provided a turn-up for the book by swinging quite strongly towards a local French linguistic party, the Front Democratiques des Francophones, which, however, still lacks the muscle to represent the city at national level. Although the big parties have started to define their own federal plans (the Social Christians and Liberals are split into virtually autonomous Flemish and Walloon wings, and the Socialists are heading in that direction), it is difficult to see any definitive solution emerging in the near future.

If ever there was a place and time to prove that small is beautiful the Grand Duchy of Luxembourg in the recession should have provided it. This small triangle of land between Germany, France and Belgium, with 350,000 population, a fully sovereign voice in EEC affairs and a vast service industry organised around more than 90 foreign banks astride the international capital markets, might have proved during the recession the virtues of scale.

Sagging

To some extent it did. At the cost of a sagging budget deficit unemployment was restrained by public works, but the main problem of Luxembourg's size is that it has no real economy of its own, the currency being linked to Belgium (with a Belgian rate of inflation rather than a German one) and the crucial market being Germany. Thus, except for what weight could be exerted through the EEC, Luxembourg has little choice but to react to other people's decisions.

Coupled to that the unique feature about Luxembourg is the country's heavy dependence on steel as the main visible export earner, employer, tax payer and general generator of GNP. But steel, which in the case of the Grand Duchy means to all practical purposes the single company Arbed, was the worst sufferer from the recession and seems unlikely to recover quickly, and Luxembourg has suffered badly in so far as it is a "single-crop" economy. The best hopes lie in the German economic recovery and in the stability measures for the steel market currently being introduced by Brussels.

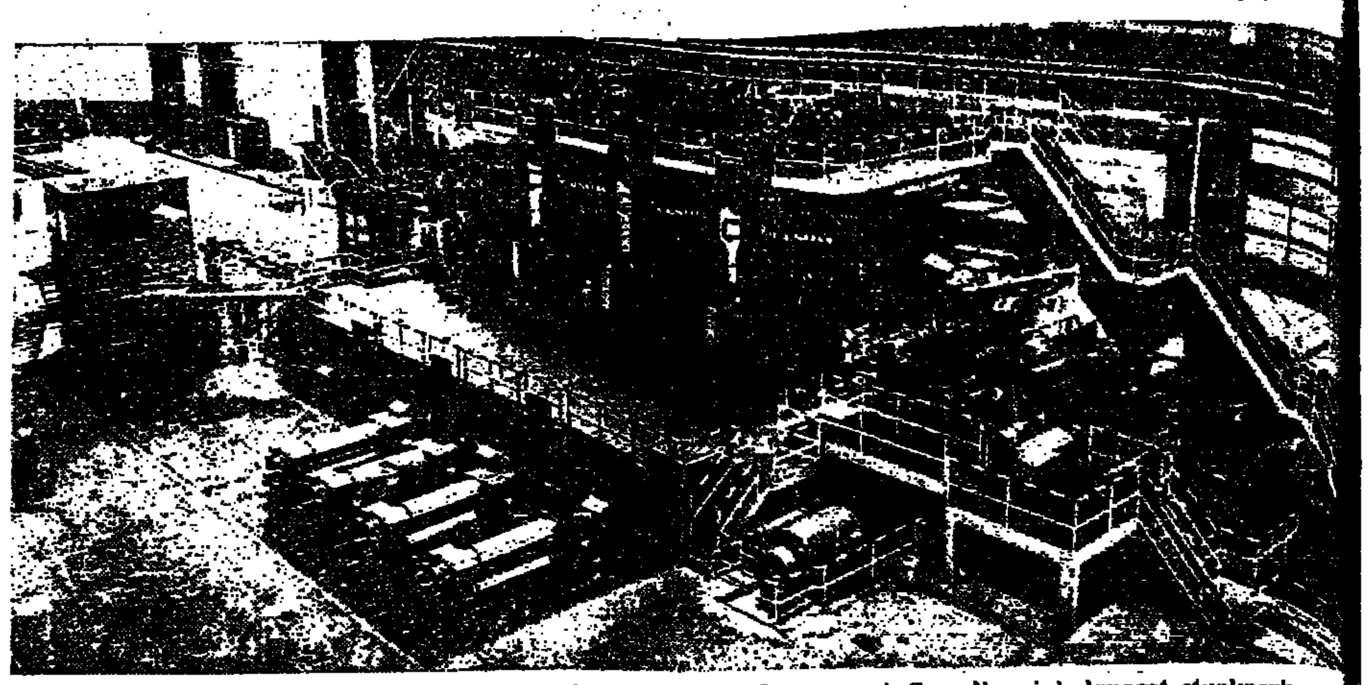
David Curry
Brussels Correspondent

SWEDEN

Testing time for the new Government

THE MOST exciting development by far in Sweden in 1976 has been the coming to power of a non-socialist Government for the first time in 44 years. After barely two months in office, however, Mr. Thorbjorn Falldin's coalition cabinet has had little opportunity to demonstrate whether it can shift Sweden's model social democracy on to a new course. Instead, the laid table, which the outgoing Premier, Mr. Olof Palme, said he was serving up, has proved to contain not a few *bombes surprises*.

The new Government has found itself dealing with crises in a number of industries and an unexpected sluggishness in the economy. At the same time, in negotiating the national wage package for next year, the employers and unions are heading for what threatens to be one of their sharpest confrontations ever. Finally, the unity of the three-party Government coalition is still suspect.



A cold rolling mill at the Stora Kopparberg works at Domnarvet, Scandinavia's largest steelworks.

In the run-up to the September general election Mr. Falldin stressed that the programme of a non-socialist Government would be based on the broad areas of agreement between his own Centre Party and the Liberals. The composition of his cabinet reflects this balance. Mr. Falldin's party colleagues preside over industry, energy and foreign affairs, while the young Liberal leader, Mr. Per Ahlmark, combines the Labour Ministry with the title of Deputy Premier, and another Liberal, Mr. Ingemar Mundebo, holds the vital budget portfolio, encompassing the bulk of the former Finance Ministry.

The non-budgetary functions of this ministry have gone to the Moderate (conservative) leader, Mr. Gosta Bohman, as Economy Minister, a post whose weight and scope have yet to become clear. Other Moderates command trade and defence.

A different alignment prevails within the cabinet over nuclear policy. Mr. Falldin is committed to fulfilling an election campaign promise to halt Sweden's nuclear power programme. The Moderates and Liberals want to push ahead with it. The Prime Minister's credibility has already been slightly tarnished by his retreat over the fuelling of one reactor and an unsatisfactory compromise to allow building to start on reactor No. 11.

These decisions, however, were hedged in with reservations concerning safety requirements, which could produce at a later date the halt to the nuclear building programme sought by Mr. Falldin. For the moment the only solution to the non-socialists' dilemma seems to be to hold a national referendum on nuclear policy some time next year. The phrasing of the question to the electorate would be another test of cabinet unity.

So far economic problems have been the new Government's major pre-occupation. Mr. Bohman and even more so Mr. Nils Asling, the Minister of Industry, have been consistently in the public limelight. The Swedish problems would appear to be far more tractable than the British, but the Swedes set themselves high standards of economic management, and many of them now see in the current situation a real threat to the high level of prosperity to which they have become accustomed.

The immediate problem is the delay in the export-led economic recovery which the Swedes have expected in 1976. The current account deficit was budgeted to decline to Kr.3.5bn. (£510m.) this year. It is now likely to remain over Kr. 6bn.

The foreign borrowing, which in a departure from traditional practice the Government and Riksbank (central bank) have been encouraging companies and local authorities to undertake, will reach some Kr.20bn. by the end of this year without seriously affecting Sweden's high credit rating. But the debt repayment will further hamper plans to get the current account in balance by 1980.

Inflation is also a source of concern. In its autumn report the Economic and Social Research Institute estimated that the average increase in consumer prices from 1975 to 1976 would be 10.4 per cent. or close to 2 percentage points higher than the average forecast for the OECD area as a whole.

The policy of combating unemployment by allowing factories and mills to produce for stock has effectively kept the percentage of unemployed below 2 per cent. of the labour force but has also left many companies with disproportionately heavy stocks of finished goods, which require further financing.

In the two months since he took over the Ministry of Industry, Mr. Asling has had to consider crises in the shipbuilding, steel and textile industries, all calling for Government intervention — an embarrassing sequence for a non-Socialist Government.

The State is already involved in shipbuilding and Mr. Asling has promised Kr.2bn more of public money to help cut the industry down to an effective size. State participation is also substantial in textiles, but in that field as in steel Mr. Asling has warned companies that they should think rather of shouldering their own responsibilities.

The trouble is that there [illegible] more and more warning[illegible] redundancies, and Swed[illegible] employment record, which [illegible] praise this year from the OE[illegible] is being threatened.

These immediate difficu[illegible] are also seen as symptoms [illegible] more fundamental crisis [illegible] declining competitiveness [illegible] Swedish industry. A rise in [illegible] roll costs of over 40 per [illegible] over the last two years has [illegible] tributed to the over-pricing [illegible] Swedish export goods. [illegible] relative change in wage c[illegible] per unit produced compa[illegible] with that of West Germany [illegible] been estimated to be some [illegible] per cent. in Sweden's disfa[illegible] over this period. The cr[illegible] industry's share of foreign [illegible] kets, principally in the [illegible] has shrunk by 14 per ce[illegible] according to one calculatio[illegible]

Theme

The Employers' Associa[illegible] chose to make declining [illegible] ductivity the central theme [illegible] an unusually fierce statement [illegible] advance of the national w[illegible] negotiations it is due to st[illegible] with the trade union federa[illegible] this month. The employers s[illegible] no margin for wage increa[illegible] next year. They wanted c[illegible] in sickness benefits to [illegible] courage absenteeism and [illegible] agreement to a joint study [illegible] productivity.

The unions and Social De[illegible] crat opposition have discou[illegible] much of this opening statem[illegible] but on their side, too, there [illegible] concern about the decreas[illegible] profit margins of Swedish [illegible] dustry. The Government, a[illegible] from announcing its tax p[illegible] for 1977, has so far held a[illegible] from the wage talks, but, if [illegible] employers and unions fail [illegible] reach a settlement it could [illegible] its first crisis and test of [illegible] unity in the spring.

GNP is expected to rise [illegible] 1 per cent. in 1976. Most [illegible] casts for next year predic[illegible] real upturn in exports al[illegible] in the second half, but [illegible] may well not be sharp en[illegible] to allow companies to re[illegible] their stocks to normal le[illegible] before 1978. Industrial [illegible] duction, which may [illegible] declined by 1-2 per cent. [illegible] year, will, it is hoped pick [illegible] pace again next year lea[illegible] the way to a rise of someth[illegible] over 2 per cent. in GNP.

William Dullfor[illegible]
Nordic Correspon[illegible]

FINLAND

A recovery delayed

THIS TIME last year, Finnish economic seers were predicting that a real recovery of the economy could be expected after the middle of 1976. Some of them are saying the same to-day, except that the turning point given now is mid-1977. Others will not even go that far. They fear that the Finnish economy may well move straight from the deepest depression since World War II into another recession without really enjoying the intervening upswing that is the usual rule of cyclical fluctuations.

That may be unduly pessimistic, though at corporate level it seems to be a justifiable view in some branches of industry. Whatever may happen next year, two things are evident: Finland is very sensitive to international fluctuations; and the present business cycle has not been following the rule, particularly in Western Europe, which is the market for about two-thirds of Finnish exports. Its hiccuping upward course has had all economic forecasters baffled. This has not only complicated planning at both national and corporate level, but has had an adverse psychological effect on the attitudes of political and union leaders. They cannot or will not believe that things are still so bad.

Problems

The main problems can be summarised by looking at the year-on-year real growth indicators for 1976 and 1977; the *source is the Economic Division* of the Ministry of Finance. The real growth in GDP is estimated at 0.5 per cent. for this year, 5 per cent. in 1977. For investment the respective figures are −11.5 and 3 per cent., for public consumption 4.5 and 3.5 per cent., and for private consumption −3 and 4 per cent. Exports should increase by 17 per cent. in the current year, 23 per cent. in 1977. For imports the estimates are −4 and 15 per cent. respectively.

All in all, the picture that emerges has faint patches of brighter colour. But it must be remembered that the reference point for 1976 is a poor 1975 (except for investment which was unusually high because of the long tail-off from the preceding boom). The base level for the 1977 predictions is the deeply depressed current year. Nonetheless, the Jeremiahs may *be overdoing their act. At least* the decline has been arrested. The recovery is very slow and weak, but it is there.

There are three more factors to be considered: inflation, with wages as the main component, the current account deficit and the foreign debt. Measured by the consumer price index (1970=100), inflation dropped from 18 per cent. in 1975 to 14.5 per cent. in 1976 and will fall to 10 per cent. in 1977. But the estimate for 1977 is based on two assumptions which seem to be over-optimistic. The first is that there will be no sharp increase in global raw material prices, especially oil. The second is moderate nominal wage increases in 1977, indeed, no increase at all in real earnings.

The really hopeful indicator is the current account deficit. This was a whopping Fmks.8bn. (£1.02bn. at the January 1976 exchange rate) in January this year, but this has now been halved. That is no mean achievement in one year. The forecast for 1977 is a further reduction to something over Fmks.2bn., but that again may be over-optimistic if the economy really gains more momentum next year and *imports build up again. Finally,* the foreign debt, which is the traditional Finnish way of financing its current account deficit, will rise from Fmks.20bn. at the end of 1975 to about Fmks.24bn. at the end of this year. This is about 22 per cent. of the GDP. But Finland's creditworthiness in the international capital market is still good.

The 1977 Budget Bill now before Parliament shows a real reduction in the growth rate of public sector expenditure. The Bank of Finland is keeping the domestic money market extremely tight and screening applications for foreign loans very strictly. The Government has promised to keep unemployment below 3 per cent. in 1977, which is politically acceptable, though it will top 4 per cent. seasonally. It has also promised to continue strict price controls. Thus, belatedly albeit, the necessary action is being taken to restore economic equilibrium.

Its success depends on the political sector, and that includes the trades unions. Can it go on taking the harsh therapy now being administered? Can it accept that the economic recovery now beginning is doomed to be slow and slight? Can it accept that the aim of an average yearly growth rate of around 5 per cent. is no longer realistic?

Judging by the public pronouncements of party and union leaders to date, the answer to all three questions seem to be no. There is a malaise affecting the political health of the country. On the left wing, the Social Democrats and Communists are fighting for votes in the all too frequent elections of various kinds. In the labour market the same two parties are competing for union members. In the centre, two good crop years have reintroduced the old problem of agricultural surpluses and farm subsidies, which has set the Centre (formerly Agrarian) Party and the left wing at loggerheads.

Ignored

In the heat of the fray, economic realities are ignored and urgent national business is often delayed. The five-party "popular front" coalition, commanded into office by President Urho Kekkonen in October, 1975, collapsed a year later because of the imminence of local government elections. The Social Democrats decided to abdicate Government responsibility, and the Communists had simply exploited it. Both moved into opposition, leaving the three centrist groups, Centre, Swedish People's and Liberal parties, to soldier on unwillingly as a minority cabinet. It has the difficult task of pushing a tight, unpopular Budget Bill through Parliament and presiding over the present round of incomes policy negotiations.

The current labour contracts run out in January, 1977. The postures already being adopted in the negotiations for a new incomes policy settlement suggest that the future of the whole system of bargaining at central employer-union level is in jeopardy. The only alternative will be bargaining at individual union level, which could lead to chaotic conditions. It is the individual union leaders, in particular, who have suffered from past over-optimistic forecasts of the rate of economic recovery. The demands they are making just cannot be met. Attitudes are hardening on the employers' side, though they themselves are not blameless. The main problem seems to be whether the central federations of unions can keep their member unions under control, and whether at union level the leaders can keep discipline among the rank and file.

Lance Keyworth
Helsinki Correspondent

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Problems of wealth

LE MOST of Europe has recovering only slowly the recent recession, Nor- ans have enjoyed yet ner prosperous year. Un- loyment is at a scant 1.1 per , average real wages, after have risen this year by than the Government's et of 3 per cent., and price look like staying under ceiling of 9.2 per cent. fixed the co-ordinated incomes ement last spring. In this ement, the Government pro- ed tax relief, increased al security benefits and sub- s to keep prices down, in rn for acceptance by the ns of relatively moderate e rises. It hopes to arrange ilar deal next spring, when es and incomes are again for revision.

ue, some sectors of Norwe- business and industry are feeling the effect of the ld slump. Despite an im- ement in the tanker market autumn, about 31.5 per of the tanker fleet is still up and some tankers are ng at rates which only just r operating costs, exclusive lepreciation. In shipbuild- few yards have orders ond the summer of 1977. The st products industry, depen- t on the U.K. market for a share of its sales, has been by Britain's slump and the falling pound.

There are longer-term pro- blems, moreover, in certain labour-intensive industries, such as textiles, clothing and foot- wear. As Norwegian wage levels rise, firms in these sectors are finding it increasingly hard to compete with imports from low wage countries.

Domestic

On the other hand, industries producing for the domestic market, and not subject to serious foreign competition, are doing well—thanks in part to Government counter-recession policies which have stimulated home demand. Several tradi- tional export industries—metals and fish products, for instance —are also enjoying good de- mand this year, and stocks built up during the 1975 recession have largely been sold. Oil out- put from the continental shelf is forecast to reach 14m. tonnes this year, compared with 9.3m. tonnes in 1975. Overall, GDP is expected to rise by 5.9 per cent. this year, or 4.7 per cent. if oil and shipping are excluded. This is a marked improvement from 1975, when the rise from a year earlier was only 3.3 per cent. (2.2 per cent. without oil and shipping).

In the late summer and early autumn, as the world economic upturn appeared to be gather- ing strength, the Government moved to prevent overheating of the domestic economy— mainly through a series of measures to curb private sector lending. It promised, however, that the branches of industry still needing Government assis- tance would go on getting it. This aid has included Govern- ment loan guarantees, liquidity loans and cheap credit facilities to finance production, plus in- creased public spending to provide jobs in construction and road-building.

Achieving the right balance between stimulating and curb- ing Norway's economy is no easy task for Government planners, given the economy's high dependence on foreign markets. In a somewhat dejected com- ment recently, the chief of research at the Central Bureau of Statistics said that taking eco- nomic policy decisions now was largely a question of guessing what sort of strategies the lead- ing industrialised nations would pursue. The stringent anti-infla- tion measures advocated by politicians in many of these countries were "worrying," he said.

A side effect of Norwegian Government spending to sustain economic activity has been an increase in the current account deficit — already high because of heavy investment in offshore oil development and new ships. This year it is expected to reach a record Kr.18.3bn. — Kr.3bn. higher than earlier estimates — bringing Norway's total net foreign debt to Kr.51bn.

To finance the deficit, foreign borrowing has been increased. This has been *easy*, since the prospect of steadily rising revenues from offshore oil *makes Norway a good credit* risk. Some opposition politi- cians are concerned at the extent to which the country is mortgaging its future oil *income. They point to the delays* being experienced in offshore development, and the way costs have soared, and suggest that the "oil adventure" may prove *less of a windfall than first* believed.

The Government appears un- worried about the problem of offshore cost increases, however. It says costs in the British sector of the North Sea have risen just as fast or faster than in Norway's waters, and that all the projects now in hand are still very much worth while. Despite strong objections from conservationists, it plans to open up the waters north of the 62nd parallel for exploration in 1978. If petroleum should be found up there it will be even more expensive to extract than deposits south of the parallel because of the fiercer climatic conditions and the shorter operating season.

A major foreign policy event this year was the announce- ment in October that Norway would establish a 200-mile economic zone around its main- land coast from January 1, to protect fish stocks. When the EEC followed suit, a few weeks later, Norwegians welcomed the move as confirming the wide international acceptance of 200- mile limits. Norway has already concluded framework agree- ments on reciprocal fishing rights with a number of States, including Sweden and the USSR. It hopes to reach a similar agreement with the EEC before the zones take effect.

An unsolved question in con- nection with the new zones is the delineation of Norway's boundary with Russia along the continental shelf in the Barents Sea, where the two countries have conflicting claims. Nor- way's Minister for Law of the Sea questions, Jens Evensen, is thought to favour ceding some of the disputed area in order to reach a settlement. He believes that Norway has unique prob- lems, as the country with Europe's longest coastline and *largest continental shelf*, and that Norwegians will have to show more initiative—and inde- pendence of their allies—in seeking solutions to these *problems*.

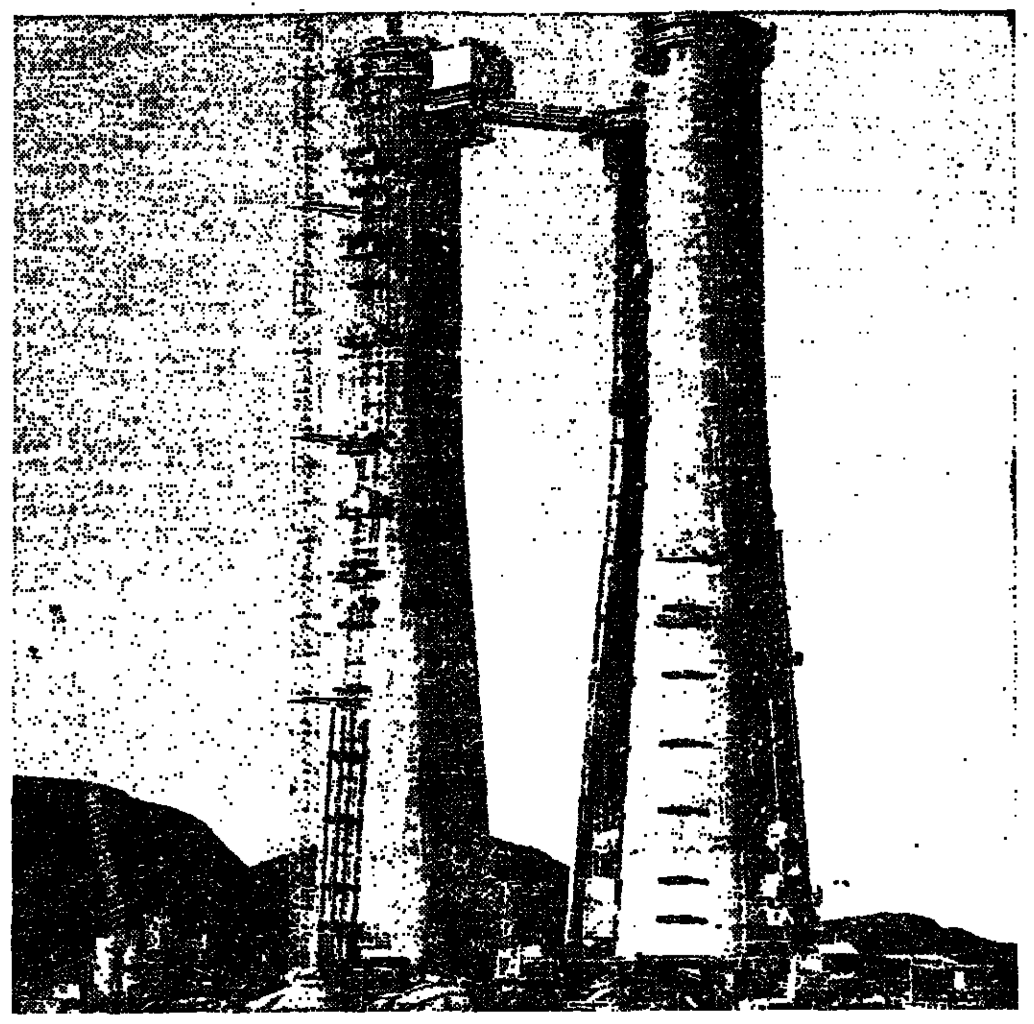
Trend

Norway can no longer con- sult others "on every detail" before it takes decisions, Mr. Evensen has said, and he thinks the country should be a bridge- builder between the Com- munist and non-Communist worlds. Time will show whether he can bring the essentially conservative Labour Party establishment around to his way of thinking.

On the domestic political scene, the year's outstanding trend has been the steady rise in popular support for the ruling Labour Party, and the decline in popularity of the extremist parties on the Left and Right. In a January opinion poll, only 39.6 per cent. said they would vote Labour in a General Election, while the three largest opposition parties *together scored 45.9 per cent.* By October, Labour's share had risen to 45.2 per cent., compared with only 44 per cent. for the opposition trio of Conservatives, Christian Democrats and Centre (farmers') Party.

At present, Labour holds only 62 of the seats in the 155 member Storting (Parliament), so that the Government always has to secure support for its measures from at least 16 oppo- sition MPs. If the present trend *is maintained, however, next* September's elections could give Labour an outright majority in the Storting for the first time since 1961.

Fay Gjester
Oslo Correspondent



The popular Norwegian Condeep design of concrete oil production platform—this one is at Stord near Bergen where it is being prepared for the Statfjord oil field.

ICELAND

Full economic control

ELAND COULD—with a slice luck—be heading for a period both political and economic isolidation next year. Having n the third round of the Cod ır with Britain, it at last has clusive control over its fishing ounds, which are the basis of economy, and can begin ganising a more effective anagement of the fish stocks id fishing industry in the hope evening out the fluctuations catches and prices.

This year, after two lean years which the Icelanders exper- iced two devaluations, the ghest rate of inflation in the ECD area and a significant fall real incomes, export demand d prices rose for both fish and uminium. The terms of trade ve improved by something e 11-12 per cent. after dete- rating by 11 per cent. in 1974 d by 15 per cent. in 1975.

The current account deficit s been reduced from $140m. t year to $60-65m. or from 5 per cent. of GNP to 4-5 per nt. Heavy foreign borrowing s boosted the foreign exchange erves, and with capital im- rts declining next year pros- cts for a further improvement the current account and in e payments balance should be ght—provided export demand ys at its present level.

The increase in export income s year came partly from an loading of aluminium stocks, ich is unlikely to be repeated xt year, but mainly from the e in fish prices on the U.S. rket and in fish meal prices e American prices returned ughly to their 1973 levels. In ory, with the withdrawal of British trawlers the Ice- ders should now have more n to offer, while the opening of the EEC market should vide them with new outlets. In practice the marine scientists' gloomy view of the state of the cod stock could compel the Government to tighten control and to cut the catch allowed. Nevertheless, if prices remain firm on the American market, the fisheries can hardly do worse than this year. And in the longer term *better stock management should* increase the yield from the fishing grounds.

Real GNP has probably fallen by about 1 per cent. this year, according to the latest estimate of the National Economic Insti- tute, but the improvement in the terms of trade should have given a growth rate of 2 per cent. or *more in real national* income. The Institute is tenta- tively forecasting a rise of 1-1½ per cent. in GNP next year.

Blemish

There is one serious blemish on this relatively optimistic picture. Inflation has not been cut back effectively. Consumer prices, which rose on average by 53 per cent. in 1974 and by 37 per cent. last year, will have increased again by over 30 per cent. this year. This has occurred in spite of attempts to apply a stricter monetary policy and *considerably* tighter control of fiscal expenditure.

A very strong pent-up demand for wage increases now prevails, manifesting *itself in sporadic* strikes. The present wage agreement between the employ- *ers and unions expires* on May 1. If the Government is finally to get a stranglehold on inflation and reinforce the stabilisation of the economy which appears to be underway, it will be essential to keep wage increases low in the new agree- ment.

The Prime Minister, Mr. Geir Hallgrimsson, has recognised the importance of this exercise by appointing a special commis- sion, including representatives of all interests, to report by February on ways of combating inflation. This could prove to be an astute move if it succeeds in committing all sides to a policy. But there are some formidable political complica- tions.

Rises in the fishermen's earn- ings always tend to spark off a wage demand spiral. The unions are unlikely to be moderate in wage claims as long as inflation is boosted by heavy State spend- ing to subsidise exports of surplus farm products, princi- pally mutton. The Progressive Party, which partners Mr. Hallgrimsson's Independents in the coalition cabinet, represents the farmers and the co-operative organisation. And the Indepen- dence Party *itself has voting* support among the farmers. Somewhere along the line com- promises have to be made, but they cannot be of a kind which *defeats the inflation-curbing* objective.

There have been rumours of growing friction between the Independents and Progressives in government and hints that the Independents might be interested in changing the coali- tion formed after their election victory in 1974. Co-operation with the *left-wing People's* Alliance and the Social Demo- crats, who have a greater say in the unions, could be more advantageous in getting the right kind of income settlement, it is being argued.

It is most probable that Mr. Hallgrimsson will choose to soldier on with the Progressives until 1978, when the next general election is due. There is some important legislation in the pipeline, including a badly needed tax-reform and new regu- lations for trade union activity. With these on his Government's record and, possibly, an im- provement in real incomes Mr. Hallgrimsson would be better placed to go to the voters.

The Independence Party has advocated an industrialisation programme based on Iceland's largely unexploited hydro and geothermal power resources. The aim is to reduce the island economy's dependence on fish exports to half or less. The pro- gramme has run into opposition partly from environmentalists and partly from nationalist opinion objecting to the intro- duction of foreign capital. Now, however, it is beginning to *gather pace*.

Unfortunately, the first pro- ject to exploit the island's under- ground thermal power has run into difficulties. Drilling has so far failed to hit the steam needed to activate the expensive equipment installed.

Nevertheless, the second large hydro-power development is nearing completion and a Nor- wegian company, taking over from Union Carbide, should start next year to build a ferro- silicon plant. The Norwegians are also reported to be interested in a combined hydro/ aluminium development in Northern Iceland, while the Swiss have undertaken to do a *feasibility* study into the development of hydro-electric power in the east.

William Dullforce

Living with new rules

WITH THE local elections due on December 12, the process of building the institutions of parliamentary democracy in Portugal is complete. The Portuguese have this year elected their first freely chosen legislative assembly and president in almost half a century. Despite occasional clashes, the polling went off without any major hitches and the big turnouts pointed to a high level of political responsibility among a people who until two and a half years ago were living under a dictatorship.

Nevertheless, doubts still remain as to the survival prospects of the infant democracy, not least because the country has remorselessly slid closer and closer to the brink of economic collapse.

Trade figures for the first ten months of this year showed a deficit 13 per cent. greater than the same period of 1975. The current account deficit for the year as a whole is provisionally estimated at \$1.65bn., an enormous sum for a country with a GNP of only some \$13bn.

Mercifully for the Government the employment situation has not deteriorated as rapidly as other areas of the economy, despite the influx of hundreds of thousands of refugees from the former colonies of Angola and Mozambique. Unemployment is nevertheless running at some 15 per cent., and the only reason it has stabilised around this level is because the Government has not dared cut off financial support for the many State-owned enterprises, whose life on the basis of any normal commercial criteria would be brief indeed.

Although considerable featherbedding is thus continuing, the minority Socialist Cabinet headed by Sr. Mario Soares has made a start at turning the economic situation round through a series of austerity measures. These have provoked *a sharp response from the* unions, not least because the Government has tried to break the Communist grip over the national labour confederation, the Intersindical, by encouraging the formation of a parallel grouping, the so-called "Carta Aberta" (open letter) unions.

Basically, the Government has said that the indiscipline and low productivity which two-and-a-half years of revolutionary turbulence have bequeathed will have to be stopped. As a result, workers can once again be dismissed for insubordination, their right to strike has been curbed and, most important, overtime earnings have been drastically reduced.

With inflation still running at the 35 per cent. level, the Government will clearly need *almost miraculous powers* of persuasion to get across the message that Portugal has been living beyond its means for too long (something it was doing anyway before the coup which ended the right-wing dictatorship on April 25, 1974).

For a people long accustomed *to being the poorest in western* Europe the idea that even greater sacrifices are yet to be made is hardly the most marketable of political commodities. In a sense this has been recognised by the President, General Antonio Ramalho *Eanes, in his* reluctance to sign into law a Cabinet decree under which Christmas bonuses this year would be *paid in Treasury* bonds. The President apparently believes that it makes more political sense to let the workers have their bonus—most of which is normally accounted for well in advance in the shape of Christmas presents and putting a little aside for the taxman—and then letting the austerity measures take their course in the shape of a wage freeze later on.

Part of the controversy surrounding *the Government's de*cree was due to doubts concerning its constitutionality—a point which has been taken up by opposition parties in the National Assembly who claim that the Soares cabinet has shown a disturbing tendency to prevent important measures being fully *debated by deputies.*

It is this aspect of Portuguese politics which has provoked doubts concerning the future viability of the Parliamentary system. To put it brutally, the problems are so enormous that the Government, no matter what its political complexion, simply cannot afford any longer the luxury of prolonged debate as to the efficacy or otherwise of its proposed measures. Hence suggestions that it really is just a matter of time before Sr. Soares bows to the inevitable and broadens his Government's base to take in the opposition parties on his right, the Social Democrats (formerly the Popular Democrats) and the Centre Democrats.

These two, along with the Socialists, have earned themselves the mantle of the "Presidential majority," since they all threw their support behind the Eanes candidacy for the Presidency.

The alternative to a coalition of this sort is reckoned now to be a kind of government of national salvation, which would include the three parties but would *have* a military man at its head.

Such questions will, however, only be resolved once the fundamental issue of rescuing the economy shows signs of being settled and when the military are prepared to accept that, while they cannot be excluded from the Portuguese political equation, at least for the time being, this does not give them the right of veto over most aspects of political life.

Sr. Soares, however, is needed in office for the time being, no matter how his party performs on December 12, if only because he is still Portugal's most respected political figure overseas.

The United States, recognising *how close to collapse the* whole Portuguese political system *really is, has* granted an emergency loan of \$300m. just to keep the Lisbon Gov- ment's credibility alive. In meantime Washington begun urgent negotiation set up a \$1.5bn. internat consortium which would a kind of mini-Marshall *just to prevent parliam* democracy from going either as a result of staged by the newly re Communists or by the wing military.

It is this knowledge that gains of the revolution proved so brittle that they really survive only on the will of well-disposed allies hangs over the festive sea which most Portuguese *is the worst in years.*

Paul Ellm

Lisbon Correspo

A wall in Lisbon covered with political posters before last April's election

GREECE

Pinning its hopes on EEC acceptance

THE TWO-YEAR-OLD Government of Premier Constantine Karamanlis has set as its two primary objectives Greece's speedy integration into the Common Market and the bolstering of the country's defence capability. But whereas it is making some headway with the first of these targets, it still has to find a more binding arrangement with NATO which would *ensure Greece's security and* shield it from the possibility of a war with neighbouring Turkey.

Greece pulled out of NATO's military command in August, 1974, following the alliance's inability to prevent Turkey, another NATO country, from invading northern Cyprus. But unlike France, which withdrew from NATO's military arm in 1966, Greece has U.S. military bases on its *soil* and is trying to renegotiate their status. Perhaps even more than other European countries, Greece's *defence, like that of Turkey, is* still almost wholly dependent on the American military guarantee.

Greece remains a member of NATO's political structure, but has so far resisted attempts by the alliance to mediate a political solution of its differences with Turkey. It may not be equally as easy to stave off pressure from the EEC, which would like to see Athens settle its *disputes* with Ankara before Greece joins the Common Market.

The disputes with Turkey are causing the Government to spend about a quarter of the State budget each year on defence. This is putting a heavy strain on the economy as it seeks to name the structural readjustments necessary for full EEC membership.

Application

Talks between Greece and the *Community on its application to* become the tenth EEC member formally opened last July, but so far regular negotiations have not got under way. The Greek Government believes that the membership agreement should foresee a five-year adaptation period starting from the date of entry, corresponding to the transitional period negotiated for the accession of Britain, Ireland and Denmark in 1973.

Premier Karamanlis has repeatedly stated that Greece belongs in the Western camp, and especially so within the EEC. *His motives for wanting* Greece to join the enlarged European Community are political as well as economic.

Mr. Karamanlis considers that accession to the EEC will help strengthen democracy in Greece itself and act as a deterrent against a possible return to military rule. The Greek Government also feels it is in its interests to play an early role in the process leading to the establishment of a future European Union.

The development of Iranian military, economic and financial strength, with considerable assistance from the U.S., and rumours that Iran might have financed the royalist referendum campaign in Greece in 1974 and encouraged Turkish ambitions may also have contributed towards persuading the Greek Government *to speed up its* request for full membership.

On the economic side, the increase in the Community from *six to nine members has meant* that the Common Market is more than ever Greece's principal trading partner, accounting for about 45 per cent. of imports and 37 per cent. of exports. Greek entry to the EEC, the Government hopes, will lead to the development of Greek industry on an internationally competitive scale and to special assistance being given to Greek agriculture. Early last month EEC *Ministers ratified the* second financing protocol under which Greece will receive \$310m. to help in the harmonisation of its agricultural policy within the framework of the EEC.

Although the threat of war with Turkey has receded, the Aegean issue and Cyprus remain Greece's main external problems. Greece claims that its 3,000 islands dotting the Aegean are entitled to a continental shelf of their own. Turkey contends that many of the Greek islands are merely a prolongation of the Turkish Anatolian coast and that Greece has not respected the 1924 and 1947 treaties which oblige it keep the Aegean isla demilitarised.

Turkey claims a demarca line half-way between main Greece and Turkey. according to the Greek *this would make the ea* Aegean Islands easy prey Turkish expansionist moves.

Early in November the *sides* agreed to refrain taking any prejudicial i tives or actions while seek to find a mutually acc able *solution* through neg tion. No date has yet been for the opening of the dial on the substance of the but the step-by-step neg tions on its various aspects expected to be long and cult.

By all indications Gre which discovered oil off island of Thassos in 197 not against joint exploitati the mineral resources of Aegean seabed.

Mr. Constantine Stavropo Under Secretary of For Affairs, recently told the G Parliament that both should first make a demarcation of the area of continental shelf to which country is entitled in accord with existing international He said that only then w become possible to calc *what each side will be cont* ing towards a future com enterprise and to deter

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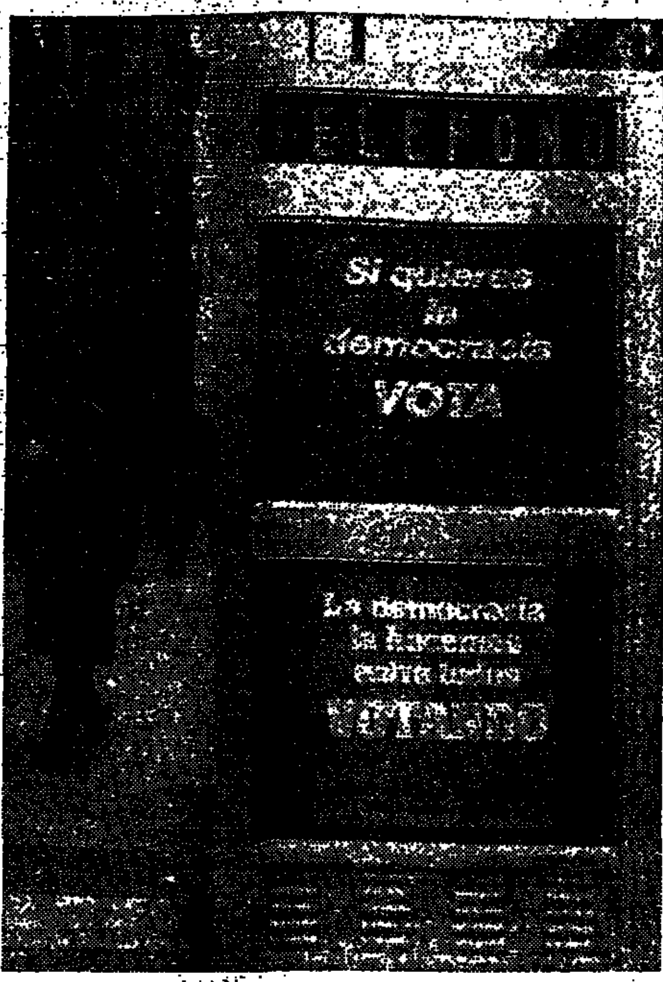
Hazardous path to democracy

E TWO most confident pre- tions made about Spain just fore the death of General ncisco Franco have turned to be largely accurate. A m of democratic government being sought and, despite rly 40 political killings in 12 nths, there have not been the lly violent civil eruptions t a few people, mostly out- e Spain, predicted. While h these achievements may viewed with some satisfac- n by most Spaniards and in stern democratic nations, ther should evoke too much prise. Just one man was d, not the apparatus with ich he controlled the nation so long. Spain is also in ny ways a profoundly erent country from the one n apart by the Civil War, n though the longevity of t war's victor disguised for ny years the significance of se changes.

Other aspects of the country e changed less, especially its dency towards intolerance, a tor that makes even the most eralised forecasting of ure trends considerably more ficult. King Juan Carlos and new young Prime Minister, olfo Suarez, have deservedly n praise for the start they e made to dismantling the horitarian structures of the mer regime. It had long n thought that the most venient and efficient method removing the edifice was by ploying the very men who l worked so intimately within. Their understanding of the erent stresses and strains ide the crumbling pillars of wer allowed them to nudge l squeeze with effect. vitably knocking pieces off e of the most resilient Euro- an political structures of this tury is a heady process, ecially when there is a nger of undermining one of floors on which you rsonally happen to be stand- g. No member of the present binet has much in the way of mocratic credentials, so there a justifiable fear that as molition men they may turn t to be rather poor architects d builders, wherein lies the al danger for the country.



Propaganda in Madrid urging Spaniards to accept the Government's Constitutional Reform Law in the national referendum on December 15.

Applause

Amid the recent applause en the old parliament of neral Franco voted itself out existence by a suspiciously ge majority, it was perhaps derstandable that rather less ention should be paid to what uld replace it. In general ms the Constitutional form Law, due to be proved by national referen- m on December 15, provides an upper house, or Senate, l a lower house, or Congress, to be elected by majority ing, with the winner taking and the other by a mixed m of proportional represen- ion. Relations between the houses are rather vague l nothing is said about the ection of a prime minister l cabinet or their interaction h the parliament. General Franco's Council of the Realm remains in being and still has the task of forwarding three names to the King from which Juan Carlos may select one as Prime Minister. There is no indication yet that this man will have to be a member of either house, and there is nothing more calculated to foster cynicism than the sug- gestion in Government circles that Senor Suarez will continue as Premier after the elections.

In similar vein, one of the reasons for the capitulation of the Cortes was that many of its members saw themselves com- ing back to cosy niches in the new Senate. Only for the 59 members of the Cortes who voted "No" to the reform law was there the ideological self- righteousness of remaining true to their principles and not being weaned away by argu- ments that appealed to self- interest. And, anyway, very few Cortes members could convince themselves that, in the last re- sort, Senor Suarez and his men would create the conditions that would let in the Left. Further- more was it conceivable that the newly restored monarchy would seek to put its throne at risk by opening the door to political parties that are basically republican at heart?

These questions may also fairly occupy the centrist and left-wing parties, who essen- tially want the new parliament to become a constituent assembly. Indeed the Prime Minister frequently uses the argument that there are many problems, not least the economy, that he cannot begin to tackle because they are more properly within the competence of a democratically elected assembly.

Though this argument may seem quite fair, time is not limitless, and there is probably substantially more that Senor Suarez could do through negotiations with opposition parties if he wants to ensure that he obviates the risk of going down in history as Spain's Dr. Caetano. The case for multi- way negotiations is irresistible, especially if the alternative is considered. Talks become even more vital when the relative seriousness of the economic situation is brought into the equation. To the still largely unpoliticised Spanish public, the poorer members of which are beginning to suffer the effects of inflation, less overtime and rising unemployment, the pre- sent political manoeuvrings of small elitist groups must seem hugely irrelevant. If and when resentment over basic issues such as the price of bread is channelled into political activity it could be that many of the present national leaders will be struggling to keep their balance.

Although it is fashionable to preach economic gloom—and with some justification merely looking at the cold statistics— it does not seem that present conditions are likely to exercise a critical influence on the com- ing general elections. More probably they will be felt after Spain has tasted the vote and begins to believe it has some influence on government.

Many of the country's prob- lems are structural and have been made worse by the failure of successive governments to react to the new world economic conditions that started to make themselves known three years ago. Inflation, running at an annual rate of over 18 per cent., is notoriously difficult to control both because of the domestic re- tailing system and the heavy reliance on imported goods. Exports, despite appearing to rally as a result of the peseta devaluation in February, have subsequently lost their upward impetus and will this year again pay for less than half of im- ports. This, coupled to a dis- appointing tourist year and a sharp fall in long-term capital inflows, is leading to private official predictions of a balance of payments deficit for the year of around \$4bn. as against just under \$3.5bn. in 1975. The in- evitable result has been a sharp rise in foreign indebtedness that is bound to increase, a fall in reserves, and the eventual necessity of again adjusting the value of the peseta by roughly the difference betwen Spain's inflation rate and that of its principal competitors.

This situation has arisen against the background of a nil growth rate last year and little more than 2 per cent. expected for 1976. More sustained growth is going to be essential if unemployment (nearly 800,000) is not to become a critical problem in the next two years, but this is also likely to have an almost simultaneous effect of widening the current account deficit and providing a fresh spurt to inflation.

Adjustment

Even with a none-too-likely increase in world economic activity and significant western financial aid, Spain is going to face serious difficulties of re- adjustment that will bear heavily on the labour force. The issue of trade union freedoms is another that will be left to the new parliament, but with the communists deeply involved and yet banned politically its resolution will not be easy. However, the economic changes, coming after so many years of strong growth, will probably demand the acquiescence, how- ever reluctant, of the majority of wage earners, offering a huge task of education for the politicians and a stream of measures designed to promote greater social justice. Without a realistic test of public opinion in the promised elections and responsible left- wing leadership that is respected by the present regime, the chances of Spain being able to release its undoubted potential into productive instead of de- structive channels will diminish.

Roger Matthews
Madrid Correspondent

GREECE

CONTINUED FROM PREVIOUS PAGE

v the profits can be fairly ided if they both agree on a nt exploitation venture.

The opposition has accused Government of conducting cret diplomacy" and prepar- a compromise solution with key in which Greek ereign rights will be rificed.

The fact that NATO was apable of countering Turkish ion in Cyprus has aroused givings in Greece about the st, and these have been roughly exploited by the osition, especially the Com- nists and the Panhellenic ialist Movement of Mr. dreas Papandreou.

The opposition has cultivated belief that Washington sup- ted the military dictatorship Greece and tolerated the kish invasion of Cyprus. American Embassy in ens has felt compelled to e a statement categorically ying any U.S. involvement er in the April 1967 mili- y takeover in Greece or in Athens-led coup which tem- arily ousted President karios of Cyprus in July 4 and precipitated the kish invasion and occupation Northern Cyprus.

The Government, which ieves the incoming Carter ministration in the U.S. will p it solve its disputes with key, is anxious to avoid anti- erican incidents. It has, vever, advised Americans to w a low profile in Greece. ecause of the special umstances which followed collapse of the military ta, Mr. Karamanlis, after toring democracy in Greece, won a clear majority in the elections of November 1974. But in future years there is a chance of other democratic parties recovering some of the ground they lost.

Two of the opposition parties, the Panhellenic Socialist Move- ment and the Communists, are opposed to Greece's joining the EEC. They have expressed fears that the country might become dominated by foreign capital and that Community regulations would prevent real State control of such capital.

Perhaps to regain its popularity with the people, the Government has recently adopted a peculiar economic policy which is causing concern in business circles. Greek industrialists, who last year accused the Government of allowing a "Socialist mania" to pervade its economic policy, have since seen the State gain control of the country's largest private business empire.

Empire

The Government took over the vast business empire of Pro- fessor Stratis Andreadis, valued at £800m., by passing a special law allowing various State- controlled trust and pension funds to obtain majority shares in three banks forming the nucleus of the group. Thus the State now indirectly controls about 85 per cent. of all bank- ing business.

Last month the Government pressured the shipping magnate Mr. Stavros Niarchos into re- linquishing to the State his two- thirds share in a major oil re- finery near Athens. The State, which owned the other third, will thus control the oil sector as well.

The Government already owns or controls all public utilities (electricity, water, telecommuni- cations), the two radio and television networks, Olympic Airways (the national air car- rier), the railway and electric subway systems, and the coun- try's five sugar refineries. Last October it nationalised town buses in Athens and Piraeus.

The Government's economic policy has apparently alarmed foreign investors who have adopted a wait-and-see attitude. Imports of foreign investment capital totalled \$66.9m. in 1974 but fell to \$23.6m. in 1975. In the first quarter of this year they totalled only \$4.2m.

Despite an improvement in the last two years, external pay- ments are still a serious prob- lem. In January-September this year imports were up 5.9 per cent. to over \$4bn., while ex- ports rose by 6.3 per cent. to just over \$1bn. Foreign ex- change revenue from tourism, which has had a boom year, rose by 25.6 per cent. to \$624m. and together with shipping and emigrants' remittances (which stayed at last year's levels) will partly cover the balance of pay- ments deficit—which for the fourth successive year will ex- ceed \$1bn.

Gross National Product is expected to grow by slightly over 5 per cent. this year. In- dustrial production should rise 7 per cent. and agricultural out- put by 1 per cent.

Mr. Panayotis Papaligouras, Minister of Co-ordination and the economic overlord, has again stressed the need for self- restraint and austerity in view of the more general difficulties believed probable for European economies next year if, as ex- pected, crude oil prices are once again increased.

Inflation, expected to be around 11 per cent. this year, is still a source of concern and the Government is taking measures to curb excessive liquidity. Currency circulation is estimated to have increased by 19.8 per cent. in January- September (against a targeted 12 per cent.) and bank credits rose by 30 per cent. (far exceed- ing the Government's safety ceiling of 18 per cent.).

Influenced

On the political side Mr. Kara- manlis's stance has dissatisfied several Right-wing factions which traditionally have been the backbone of his strength.

Obviously influenced by his 11 years of self-exile in France, Mr. Karamanlis has been apply- ing a Socialist-orientated policy which clashes with his previous conservative administration in the years 1955/63.

Many of his followers feel that he is too lenient with the Com- munists, while at the same time harassing the Right-wing in his efforts to obliterate junta rem- nants. He has legalised the Greek Communist Party, which had been outlawed for more than 25 years, has allowed for- mer Communist guerillas to return from East European countries, and has made no move against Communist infil- tration and control of the student and labour unions.

By Our Athens Correspondent

Relationships under threat

Tents to house refugees stand by a wrecked building near Van in Turkey c... the recent earthquake which made 50,000 people homeless.

A PRE-ELECTION atmosphere will dominate Turkey between now and October 1977, when a new National Assembly will be elected for a period of four years. The starting gun for campaigning was fired a long time ago, setting off the race not only between Bulent Ecevit's main opposition Republican Peoples Party (RPP) but inside Prime Minister Suleyman Demirel's Right-wing coalition as well. More and more the outcome of this premature competition will be to decrease the effectiveness of the Government and lessen its competence to deal with the numerous domestic and foreign policy problems facing Turkey.

The four parties making up Demirel's coalition are all Right-wing, ranging from the neo-fascists to the pro-Islamic, but this does not make for consistency. They are deeply split on the main issues and jealously courting votes from the same quarters of Turkish society. Since all want to increase their electoral backing each is trying to drag the power of the Government to areas where they are most likely to make the most profit.

The structure of the Government too is conducive to confusion. The leaders of the three parties which are in partnership with Demirel's pro-private enterprise Justice Party (JP) are all deputy Prime Ministers with special powers in important fields such as the economy or domestic security. Each has branched into a government unto its own, evolving a curious phenomenon of a coalition of governments rather than a coalition of parties.

There is indeed growing speculation whether this severe atmosphere of competition and confusion may not cause the disintegration of the coalition before the elections take place. Ecevit certainly hopes so and has indicated willingness to replace Demirel as Prime Minister.

One could give many examples of the Government's inconsistency. Demirel, whose JP is the major coalition partner, wants an independent Cyprus, federated between the Turkish and Greek Cypriots. Necmettin Erbakan, the deputy Prime Minister whose pro-Islamic National Salvation Party is the second biggest partner, wants an independent State to be declared by the Turkish Cypriots.

Demirel, a pragmatic economist, wants to keep industrial development within realistic limits. Erbakan, more of a dreamer, has unveiled a monumental development programme of 383 major industrial projects—the feasibility of which is seriously contended by the State Planning Organisation—and is demanding budgetary allocations for all.

Since many executive orders are carried out by government decrees, which must be signed by all Cabinet Ministers, even minor partners like Turhan Feyzioglu of the anti-communist Republican Reliance Party (RRP) and Alparslan Turkes of the neo-fascist Nationalist Action Party can withold their signatures and use them as bargaining cards with Demirel. Erbakan has used these cards extensively. One outcome was that it took months before the Government could appoint new ambassadors.

Adverse

This state of affairs has naturally had very adverse effects. It has confused the civil service, which has been subjected to a "spoils system" similar to that of the U.S. It has discouraged foreign capital investment and demoralised the Turkish private sector. It has created general dissatisfaction at home and lack of confidence abroad. "Let's wait until after the elections," is a statement one hears more and more often nowadays, instead of decisions.

Ecevit, whose Social Democratic Party is the biggest in the country, is exploiting "this four-headed government" and hoping to come to power alone next October. "The country looks as if it has been raided by brigands," he said recently during a tour of the provinces.

Ecevit, who had been campaigning for early elections after resigning as Prime Minister in the wake of the Cyprus war, now wants elections on time, presumably hoping to give enough rope to Demirel to hang himself. But more recently he has been courting Erbakan, hoping that he splits from the coalition so that the two can come to power.

The voting for the budget in March should show whether Demirel or Ecevit will take the country to the general elections as Prime Minister. Erbakan too has been flirting with Ecevit but it is not certain whether he is seriously considering a split or merely blackmailing Demirel.

This confusion comes at a time when the country is faced with difficult problems both at home and abroad, ranging from violent student clashes to the Cyprus question.

Turkey's entire relationship with the West is being damaged. The U.S. arms embargo—imposed by Congress to force Turkey to make concessions in Cyprus—is continuing. There is all the more reason to believe that the new Congress may keep it intact, forcing Demirel to carry out its threat of dismantling the now-shut U.S. bases in Turkey. Nato's unwillingness to fill the gap created in the Turkish arsenal by the embargo has spread Turkish ill-feeling towards the alliance and to the major countries in it.

Privileged

Relations with the Common Market, of which Turkey is an associate, are not warm either. Turkey, feeling that it is entitled to a privileged status with the EEC on the basis of its commitment to become a full member, has demanded new concessions from the Community. These have not been forthcoming. There is strong evidence to believe that Turkey may freeze its relations with the Community, which has shown no inclination towards generosity.

There is not the slightest hope of finding a satisfactory solution to the Cyprus problem, not only because the Turkish coalition is split on the issue but because Jimmy Carter's election as President of the U.S. raised President Makarios's hopes of securing American muscle to put pressure on Turkey.

A similar lack of light at the end of the tunnel exists for the Turkish-Greek dispute related to the sovereignty of the Aegean Sea continental shelf, potentially a very explosive issue.

Within a few months when both Carter's and the Common Market's attitude towards Turkey clarify—and neither looks like emerging in the form of clouds dispersing from a stormy sky—Ankara may be forced to review its foreign policy which has been heavily Western-orientated since the republic's birth in 1923. Both Demirel and Ecevit have recently spoken about making foreign and defence policy changes and such moves will certainly receive general backing from the Turkish public.

The economy is continuing to display significant potential for growth and official estimates show that the GNP grew at a real annual rate of 7.2 per cent. during the first half of 1976. But very serious structural problems like unemployment (2.5m. and growing), inflation (averaging 20 per cent. per annum in this decade) and foreign currency shortages (foreign trade deficit $1.2bn. in the first half) continue unabated, with accompanying social ailments.

Student unrest has claimed five lives and about 200 wounded in the fortnight following the opening of universities in November. Most of this is ca... by Right-wing groups—... enjoy the tolerance of the ... ernment, to say the ... engaged in a mopping up ... tion against Leftist elemen... universities. The indication... that higher education ma... seriously disrupted ... academic year as it was las...

The current confusion is ... unusual. Ever since 1971, ... the Turkish generals fo... Demirel to resign, Turkey ... been ruled by feeble go... ments of short duration s... gling with day-to-day probl... rather than taking the long... measures which the countr... badly needs in virtually e... field. The present situatio... only a bad situation w... worse.

Metin M...
Ankara Corresp...

هكذا من الاجل

Growing differences with Brussels

ALMOST UNIVERSALLY out-de Ireland, Dr. Fitzgerald has een presented as being unduly ubborn, selfish, nationalistic id prepared to block every-ing to get agreement on safe-aards which, however iportant to Ireland, are very arginal in light of the esperate situation that will face ommunity countries from anuary 1 if a common policy as not been reached". The ords are those of the Irish imes's correspondent in russels and they are, of course, ritten of Ireland's foreign fairs Minister, Dr. Garret Fitz-erald, and his stubborn defence Ireland's claims in the heries row for a 50-mile limit. it is difficult to recognise, in ar description, the man who months ago seemed to per-nify the European ideal. uring the first six months of st year Ireland used its turn the Presidency of the EEC uncil of Ministers to work a ansformation — almost over-ght the Republic established elf in European eyes as the ergetic champion of closer co-eration inside the Nine.

The rights and the wrongs of e fisheries saga aside, Ire-nd's relationship with its mmon Market partners has teriorated markedly during 76. If, during the first three ars of EEC membership the public seemed a beaming, eerful Euro-infant, this year has become overnight a manding, thankless and un-edictable adolescent.

Ireland's differences of inion with Brussels and with her member-countries of the ine span a wide range of oblems; the need for special nancial aid from the EEC is creasingly the most important Dublin eyes but other rows ve been over agricultural estions, the tendency of the ur largest EEC countries to mproperly" discuss EEC atters with outsiders—as when est Germany, France, Britain d Italy met at the June 1976, erto Rico summit with the S., Japan and Canada—and vexed question of Greece's probable accession to the EEC.

Ireland is, in a word, un-happy. A poll conducted this summer demonstrated that the popularity of the EEC had slumped by 17 per cent. since a previous poll last autumn. This "man in the street" re-action against the Community is probably due to the stresses and strains of the Common Agricul-tural Policy as much as any-thing. But it also reflects the Irish Government's mounting disagreement with Brussels over the treatment Ireland should be accorded as a country with "structural" disadvantages. Ireland wants cash aid and a ten-year programme of specific concessions giving it trade and economic advantages, while the EEC Commission seems far from convinced that Ireland's present problems are not attributable to the Fine Gael-Labour Government's own economic policies.

Slowed

Tension on this issue began almost exactly a year ago. The Irish economy had been slowed by the worldwide recession but not yet jarred off course. The EEC Commission, in advance of Ireland's January budget for 1976, gently advised, along with the OECD, against deflationary tactics and instead urged a serious wage freeze. Irish Finance Minister Mr. Richie Ryan, largely ignored the former, while Labour Minister, Mr. Michael O'Leary, for reasons not entirely within his control, was unable to negotiate the latter.

In February this year the EEC Commission insisted that Ireland implement the general directive on equal pay for women, overruling Dublin's pro-tests that the Government itself could not afford the public sector pay rises involved. Ireland had told the Commis-sion that if it felt so strongly on equal pay it should bear the costs, but in the end all it received as a concession was a decision to send a special study group from Brussels to examine ways in which existing Com-munity resources could be used to help Ireland's declining economy.

By mid-summer the EEC team had made its report. The Irish economy, it evidently confirmed, was indeed in a serious position and the outlook was, if anything, more depressing still. The Re-public heads the EEC in both unemployment, currently regis-tered at just over 12 per cent. but widely estimated at nearer 18 per cent., and inflation. According to EEC figures, the rate for the whole of 1976 will be 18.5 per cent., bringing total inflation since 1972 to a massive 76.5 per cent.

Ireland's negotiating gambit at Brussels has been that in the interests of the Community's *own integrity* the aim should be to close the economic gaps be-tween member-countries. The latest projections suggest that for Ireland, now saddled with a major population explosion and consequently an employ-ment crisis, would require an annual GNP growth rate of 9 per cent. to match average EEC living standards by 1986. Alter-natively, Ireland would need huge cash hand-outs.

To help with Ireland's imme-diate problems, the Commission indicated that it would look sym-pathetically at applications for EEC loans. The Dublin Govern-ment replied that it was looking for direct grants, not additional loans to the $300m. it had already borrowed in February. Given that Government borrow-ing is yet another EEC chart that Ireland tops, with a require-ment that at 14.6 per cent. of GNP is twice the U.K. rate and rising fast, the Irish are naturally cautious of loans as a solution. Rightly so, for by 1980 it is now calculated that 30 per cent. of all Government spend-ing in the Republic will be ab-sorbed by debt servicing.

The Commission is reportedly willing to allow Ireland to borrow up to £700m. next year, but its direct aid for social and agricultural projects is not expected to exceed an extra £5m. As Finance Minister, Mr. Ryan is more and more at the centre of these chilly negotia-tions with Brussels, and it remains to be seen whether he will succumb to the pressure to enlarge Ireland's debt burden. In a spirited flash of arrogance he recently branded Commis-sion calls for a 4.5-5 per cent. GNP growth rate between now and 1980 as "unacceptable." His Government's own growth target, he loftily replied, was 6 per cent.

Exports

This year, thanks largely to booming exports, expected GNP growth has shot up from some early forecasts of ½ per cent. to a figure nearer 4 per cent. Even if 6 per cent. can be reached, and that would probably require a return to the boom conditions of the late 1960s, that would only be enough to keep Irish living standards at present levels in relation to a generally much richer EEC.

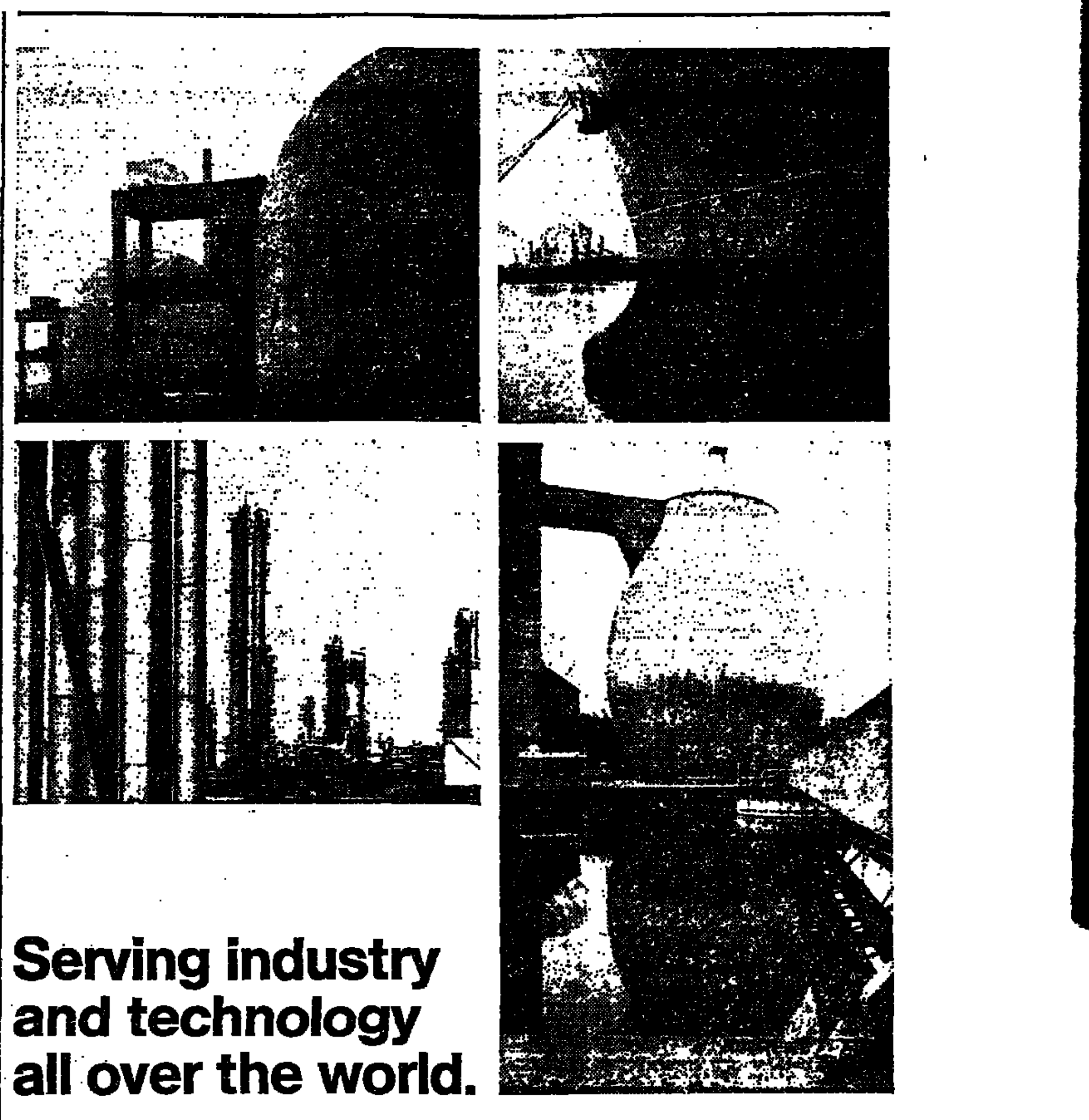
Ireland's future relationship to the EEC is clearly a long-term question of great import-ance. Although it might seem at first sight that the Irish Republic, already a major beneficiary of EEC funds, views the Community as a milch cow duty-bound to finance Ireland's economic shortcomings, it should be stressed that when the Six became the Nine almost four years ago the Republic's economy was booming and seemed set for continued rapid development.

But not all the friction be-tween Dublin and Brussels is caused by Ireland's insistence on EEC support. There is currently understood to be resentment inside the Com-mission over the matter of Ireland's support of the EEC and its institutions; more precisely, Irish Premier Mr. Liam Cosgrave's decision to appoint as Ireland's lone EEC Commissioner a Minister from inside his own Fine Gael Party who is generally considered less suited to the post than Mini-sterial candidates who belong to the coalition Government's Labour Party.

The appointment of Mr. Richard Burke, Education Minister, to succeed Ireland's new President, Dr. Patrick Hillery, as Commissioner has aroused resentment in both Dublin and Brussels as an example of political patronage that runs counter to Ireland's commitment to the European ideal. As a move it will prob-ably cost the new Irish Com-missioner a top portfolio, such as the Social Affairs job that Dr. Hillery held.

But political commentators in Dublin are already pointing out that the writing was on the wall, for Dr. Hillery had, despite his high standing in Brussels, been informed by the Irish Govern-ment that he was to be with-drawn as EEC Commissioner even before this autumn's presidential crisis led to his becoming head of State. The reason, interestingly enough, was that he was considered to have sided with the EEC Com-mission against Ireland on the equal pay for women dispute.

Giles Merritt
Dublin Correspondent



YUGOSLAVIA

European issues gain prominence

SAY that during 1976 pe has ranked high among priorities of Yugoslav gn policy may come as a rise, especially since it was the year of the 5th summit he non-aligned countries lombo.

vertheless, compared to ous years European issues d in prominence. Several s contributed to this, like ftermath of the Helsinki rence on security and co-tion, including prepara-for the follow-up confer-which will take place next in Belgrade, the Berlin ence of European com-t parties, and efforts to economic problems with rs in Western Europe.

particular importance was Brezhnev's visit, the first e years, which was post-several times. It came the East Berlin confer-at which Yugoslav com-ts claim to have won nition for their position. Brezhnev's visit, although preted in various ways, was er confirmation of Yugo-'s political and ideological endence. President Tito his visitor: "We would like e and for all to be under-and accepted that the oslav self-management sys-is our lasting and essential ntation" and "that Yugo-a is a non-aligned country." Brezhnev seems to have rstood and accepted this.

relations with the West, n is being attached to the nise of better ties with the

e signing last week of a t declaration as a first step ards a new co-operation ement between Yugoslavia the Community, finally gs hope of an end to the culties that have bedevilled tions for several years. The aration also, of course, s to balance Yugoslavia's ving involvement with the iecon countries, thereby tering Belgrade's non-ned position.

e main concern of oslav diplomacy, however, been its relations with hbouring countries where results in solving outstand-problems have been eved with Italy. The two tries decided to put an end he problem of the former territory of Trieste and ed a treaty into which the er Zone A of the FTT shall become de jure, as it already is de facto, part of Italy, and that the former Zone B shall become part of Yugoslavia for similar reasons. There will be minor adjustments to the border. In addition, the two countries decided further to develop their economic and other co-operation including the creation of a free industrial zone comprising parts of the territories of both countries in the hinterland of Trieste.

The treaty will be ratified *shortly* by the two parliaments, since the majority of parties in Italy are in favour of it, and in Yugoslavia it is backed unanimously. Last minute efforts in Trieste to create a so called integral free zone which would comprise all of the Trieste province and con-sequently undermine the idea of a small free zone along the border, seem doomed.

Results with other neighbours have been less spectacular, due mainly to persistent problems over national minorities. Yugo-slavia claims that Austria has *not implemented its obligations* under the state treaty signed more than two decades ago concerning the rights of the Slovenians in Carinthia and of the Croats in Burgenland (Gradisce), among them the use of their languages in courts and administration, schooling, road signs, etc. Chancellor Kreisky was in Yugoslavia and had talks with President Tito. But though a solution looked possible, Austria then pro-ceeded with a special language census in spite of repeated Yugoslav protests. The census, the minorities and Yugoslav officials claim, was a fiasco and therefore "useless." But the Austrian Government may make new contacts with the representatives of the minori-ties, so there is still hope for progress.

The Macedonian problem, as well as the exact role played by the Bulgarian army in the liberation of Yugoslavia con-tinues to dog relations with Bulgaria. A Yugoslav delega-tion was recently in Sofia, but returned without making pro-gress. Some observers in Belgrade believe that the key to the solution is not in Sofia but in Moscow, and Yugoslavia has been cool on Bulgarian proposals that co-operation should develop in all other fields and that disputes should be put aside.

Relations with Albania have also been slow to improve, though there is some progress in trade and cultural exchanges. The recent congress of the Albanian party proved that the basic positions of the Albanian leaders have not changed. There were attacks on Yugoslavia and its leaders, although at the same time there was talk of improv-ing state to state relations. Belgrade has especially re-sented attempts in Albania to speak in the name of Albanians in Yugoslavia. There *is* no attempt here to deny Albania's legitimate interest in the Albanian people across its bor-der. But it is felt that the lot of Albanians in Yugoslavia is first of all their own concern.

Relations with Romania are good and the visit President Ceausescu paid to Yugoslavia last September will no doubt contribute to their further im-provement, not least in the eco-nomic field. The decision to construct another Iron Gates power and navigational system on the Danube is a direct result of the visit. Greece is another neighbouring country with which relations have been im-proving, and rapidly, after a seven year freeze during the years of the military rule there. There are no problems in rela-tions with Hungary.

The changes in Greece have created more favourable condi-tions for Balkan co-operation, never easy at the best of times. Yugoslavia supported Mr. Kara-manlis's ideas on this subject and participated in the first meeting of experts, and will participate in future meetings as well. At the same time Yugo-slavia is trying to ease tension between Greece and Turkey. Its special interest is in working out a viable solution for Cyprus, in the belief that the two ethnic groups there should co-exist equally in one independent and non-aligned state.

In the wider European con-text the basis of Yugoslavia's foreign policy is the final act of the Helsinki conference. As host of the June follow-up con-ference Yugoslavia has been in constant contact with other par-ticipants. However, as Yugoslav Foreign Secretary, Mr. Milos Minic, pointed out, the results in implementing the final act have so far been modest, and unless progress is made soon the conference will have meagre results.

Aleksandar Lebl
Belgrade Correspondent

Uncertain upswing

AUSTRIA HAS coped with the repercussions of the worldwide recession remarkably well, and towards the end of last year entered a period of renewed expansion. But there is now considerable uncertainty as to just how long the present upswing will last. While experts at the respected Institute for Economic Research still believe that the expansion will continue, the latest opinion survey at the beginning of October, organised by the Federation of Austrian Industrialists among 130 companies with a labour force totalling 160,000 has already reflected a distinctly more pessimistic outlook.

Before turning to the details of the economic situation, it is worth recalling that Austria is still a haven of stability compared to most other West European countries. To start with, the country is governed by a Socialist Cabinet under Dr. Bruno Kreisky which has a safe absolute majority of parliamentary seats. This follows the Chancellor's success in leading his party to a third victory in a row at the general elections in October 1975, which secured for the second time an absolute majority both in the popular vote and the seats—an unparalleled feat in modern Austrian history. Thus political reporting in Austria is mainly concerned with speculation as to whether the 65-year-old Socialist leader currently favours the young Vice-Chancellor and Finance Minister, Dr. Hannes Androsch, or the popular Mayor of Vienna, Mr. Leopold Gratz, as his eventual successor. Meanwhile, the main opposition People's Party, under its able, young leader, Dr. Josef Taus, a former top banker, is carrying out personal and organisational changes in preparation for the next elections, due in 1979.

At the same time, the powerful OEGB, the trade union federation, has remained a major pillar in achieving peaceful labour relations and social stability. As the latest OECD report on Austria correctly pointed out, the success in mitigating the adverse effects of the worldwide recession can be partly attributed to "the traditional high degree of social consensus between major economic interest groups" which "made it possible to slow down the price-wage spiral without submitting the economy to a period of high and prolonged unemployment."

Last year was the worst ever year for the domestic economy since the Second World War. The Gross National Product fell by 2 per cent, instead of rising by 3.5 per cent. as had been predicted at the end of 1974. The recovery, however, begun in the fourth quarter of 1975 with the GNP showing a rise of 0.7 per cent, followed this year by a growth rate of 2.4 per cent. and 5 per cent. in the first and second quarter respectively. The growth forecast for 1976 has had to be revised upwards and it is now expected to reach 4 per cent. The latest monthly report of the Institute for Economic Research still predicts a picture of sustained upswing. Thus industry in August produced 9.5 per cent. more per working day than in the same month a year earlier. The rate of unemployment on a seasonally adjusted basis has remained at 1.8 per cent. since June. Employment in September was up by 1.8 per cent. on the level a year ago. Meanwhile the inflation rate as expressed in terms of the consumer price index dropped to 7.2 per cent. on a year-to-year basis.

Reduction

The forecast for 1977, as announced last September, was a GNP rise of 5 per cent. in real terms. The Institute also calculated a reduction of the inflation rate to 6 per cent. and an increase of net disposable incomes by 8 per cent. which taking into account the likely inflation rate would mean a 2 per cent. growth of real incomes per head. The statistics now available do not show yet an appreciable slackening of the expansion. However, both the latest opinion survey of the industry and the pessimistic forecasts of the head of the nationalised iron and steel concern, Vöest-Alpine have given rise to fears that the upswing will peter out much earlier than expected. At the time of writing no conclusive evidence is available, for example, whether the warnings of the industrialists will be borne out by the end of the year.

Meanwhile three major controversies dominate the economic debates between Government and Opposition: budget policy, the exchange rate of the Schilling and wages policy. While the Government claims that its fiscal and monetary measures helped to cushion the recessionary influences from abroad, critics claim that the price paid for the "deficit spending" policy is excessive. The Finance Minister alleges, for example, that by more than doubling the voted deficit to Sch.37.2bn. in 1975 and exceeding it by 27 per cent. to an estimated Sch.46bn. this year, the Government managed to save 14,000 jobs and staved off an additional 1.5 per cent. drop of the GNP. The 1977 budget should promote "growth through stability and full employment through growth," according to the budget speech of Finance Minister Androsch.

The Opposition and some influential economic commentators, however, stress that between 1974-76 alone the proportion of the national debt in terms of the GNP has risen from 9.9 per cent. to 18.5 per cent. As expressed as a share of the federal budget, the proportion of the debt has jumped from 36.7 per cent. to 60 per cent. within two years. In the opinion of the former Finance Minister and leader of the parliament club of the People's Party, Professor Stephan Koren, the real dimensions of the budget crisis will emerge only in 1978 and afterwards, with the room for maneouvre very limited and debt servicing costing more and more. The wave of price rises affecting officially regulated prices and services coupled with the steep increase of various levies and the rise in wealth tax from 0.75 per cent. to 1 per cent. indicate the consequences of the massive deficit spending.

Stable

The Austrian Schilling is and has been for many years one of the world's most stable currencies. Between the first quarter of 1970 and May 1976 the effective appreciation of the Schilling reached about 18 per cent. In July the National Bank announced a more flexible exchange rate management, that is a widening of the margin by which the Schilling is allowed to fluctuate against the Euro-snake currencies and in October Austria followed the slight upward realignment of the D-Mark in relation to the Dutch, Belgian, Swedish, Norwegian and Danish currencies.

While this policy has contributed to a relatively good price performance, it has had a growing adverse impact on the important export industries. Critics of the exchange rate policy point out that Austria's participation in a hard currency bloc together with West Germany and Switzerland should presuppose similar levels of inflation. In Austria, however, the inflation rate is much higher than in these two countries. Furthermore Austria's visible trade deficit during January-September this year jumped by 70 per cent. to Sch38.1bn. while the surplus on services account rose only by Sch1.3bn. to Sch.22.5bn. The export price index also shows an unfavourable picture for Austria.

What is most worrying, however, is the unit costs performance. Thus unit costs in 1975 rose by 16.5 per cent. and in dollar terms by as much as 25 per cent. Most important was the fact that last year unit costs in Austria were rising by 9.6 per cent. more than in West Germany, the country's principal trading partner, and in dollar terms the difference reached even 11.8 per cent. This year there has been some improvement, at any rate as far as the first half of 1976 is concerned.

The opinion survey of the Industrialists Federation reveals that 50 per cent. of those asked complain of excessively low export order books and only one third intend to increase capital spending next year. This seems to indicate no speedy reduction of unused capacity and it is unlikely that business investment will pick up substantially. Thus the overall outlook is for continued slow growth but no sudden recession. The over-extended sectors such as the steel, glass and paper industries will be faced with increasing difficulties. In view of the growing domestic labour supply, a slower-than-expected rise of the GNP could also cause some strains. So far a sizeable loss of foreign workers and the employment policies of the nationalised industries have prevented an appreciable increase of unemployment. The number of foreign workers in November, for example, fell to 187,000, a drop of 35,000 compared to the same month a year earlier.

All serious observers a... that wage restraint is a ... requisite for real pro... towards lower inflat... Economic stability cannot ... achieved merely by resorting ... exchange rate and mone... measures. Co-ordinated ... measures are also necessary ... reduce the structural bud... deficit. It will depend on ... maintenance of the so... consensus between the ma... interest groups and the cour... of Dr. Kreisky's Cabi... whether Austria will be able ... cope with the forthcoming ... period of uncertainty as well ... it did with the repercuss... of world-wide recession

Paul Lend...
Vienna Correspond...

SWITZERLAND

Steady prosperity

THERE IS a general—and not unnatural—lack of sympathy in the outside world for Swiss complaints about their economy. The country has the hardest currency in Europe, the lowest inflation rate, the highest standard of living and an unemployment figure equal to 0.4 per cent. of the labour force. Visitors are hard put to it to understand what Switzerland has to worry about.

The fact is that everybody was badly shaken by the sudden setback of 1975, when Gross National Product dropped sharply by 7.3 per cent. in real terms, industrial production fell by 13 per cent. and building activity by something approaching 19 per cent. For the first time in a generation there was widespread short-time working in the factories and an unemployment figure which had to be taken seriously —and would have been of "foreign" dimensions had not a large number of alien workers, married women and elderly persons left their jobs.

Recovery after this period of recession has been only very gradual during this year and has not affected all branches of the economy. What looked like a springtime revival proved rather disappointing in later months and there has been nothing like a return to the palmy days before 1975.

In mid-1976 order books of the machinery industry were the thinnest for ten years or more, the watch industry has been seriously hit and the construction sector sees no improvement in domestic business until 1978 at the earliest.

For this year as a whole, GNP is estimated as rising by only between 1.5 and 2.5 per cent. in real terms, meaning that the economy is a long way from making up for 1975. Indeed some observers believe that even at the end of next year business activity will still not have returned to 1974 levels. It is quite certain that Switzerland will come out of the post-boom period slimmer—and no undertaking or employee wants to belong to the fat which is shed.

At the same time, crises are only relative—and Switzerland is and remains a very prosperous country. Paradoxically, this very prosperity has been causing almost as much concern as the deceleration of economic growth.

Asset

The greatest problem here continues to be that of the over-buoyant currency. Switzerland remains so much more stable economically and politically that the Swiss franc remains a much sought after asset, despite all the Government and National Bank steps to clamp down on deposits, forward foreign exchange transactions, and the like. Since mid-December, 1971, the trade-weighted appreciation of the currency has been of the order of 60 per cent. — and might have been higher still had the National Bank not intervened on the foreign exchange market during this year alone to the tune of over Sw.Frs.14bn., financing most of these transactions with capital export conversions.

The main worry has been that Swiss exports of visibles would suffer, perhaps irreparably, from this over-valuation. Ostensibly, this has not occurred. In October, 1976, indeed Swiss export values were the highest ever and the first ten months of 1976 show a totally untypical trade-balance surplus. However, an increasing number of export orders are apparently being placed at an uneconomic or even below-cost price, while not a few of the billings figuring in this year's export statistics are capital goods ordered in the happier pre-1975 era.

Be that as it may, Switzerland looks like having the best trade figures this year since 1953 and this, in turn, will make the balance of payment surplus on current account more or less comparable with—if not better than—the 1975 record figure of Sw.Frs.6.68bn.

With few exceptions, it was the run of the economy which has set the scene for Swiss politics this year. The elections held in October, 1975, in themselves brought about very little change in the political landscape. Although the Socialists won nine seats in the National Council to regain their position as biggest single party in the Lower House, the constitution of the governing Federal Council coalition remained unaltered with two Ministers each from the Social Democrats, Liberals, and Christian Democrats, and one from the Swiss People's Party.

Around election time, there had been a lot of talk among the Social Democrats of putting through a really Socialist manifesto and possibly breaking the traditions of the "collegial principle" in the Federal Council but this came to nought. In Parliament—and especially in the States Council, of whose 44 members only five are Social Democrats and two from non-coalition parties—opposition is still not writ very large.

As always, developments on the political scene thus tend to be played out more on the direct-democracy level, through referenda. And this year the Swiss voter has not been very gracious to the measures proposed. Generally, the end of the super-boom seems to have brought with it a reluctance to accept changes—particularly when these are linked to expenditure.

Proposal

In March, for example, a Government tax proposal which foresaw much-needed boosts to the federal coffers was thrown out, as were both a trade union proposal and a Government-plus-Parliament counter-proposal for the anchoring of co-determination rights for employees in the Constitution. In June, a town-and-country planning law on which the authorities had been working for years was rejected and so was—much wholly to the voters' credit—a Government loan to the International Development Association.

But, as a sign of the times, a plan for the statutory institution of unemployment insurance got through. In September, a motion to introduce a State insurance scheme for third-party motor coverage was turned down at the same time as a proposal from the other political camp to lay down certain constitutional guidelines for radio and TV programmes.

This is not just a list of ayes and noes. Many of the major decisions in Swiss politics either have to go through the referendum process or are taken through it by the obtaining of sufficient signatures. And the 1976 showing to date indicates that voters are plaguing both the political houses and keeping things as they were. Certainly it looks as though the Left-wing proposal on introduction within a year of the 40-hour week—a move aimed at easing unemployment—has little chance of getting through at the next referendum, despite the expected and highly controversial backing it received from the recent Social Democratic party congress against the wishes of the party leadership and the Trade Union Federation.

Apart from specific measures, the general political stance of the Swiss man and woman in the street seems to be undergoing no major change and labour relations also remain virtually untroubled. Party allegiances have not shown any drastic swings in the past 20 years or so; the popularity of the xenophobic groupings with one section of the electorate in the early 70s have waned considerably now that Government regulation and the recession have gone far towards solving the "foreign problem." The mood is one of conservatism and a desire for public shrift—not least as a result of the conviction that the bonanza days of the Swiss economy are over.

John Wic...
Zurich Correspond...

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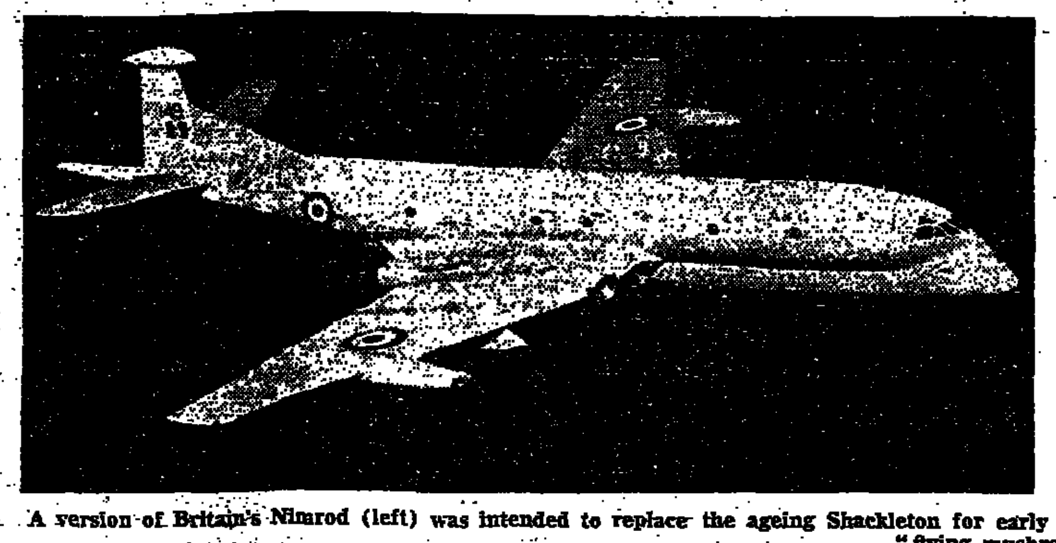
NATO Ministers must choose between an expensive U.S. detecting system and Britain's Nimrod

Mr. Mulley's aircraft collision course

By MICHAEL DONNE and MALCOLM RUTHERFORD



A version of Britain's Nimrod (left) was intended to replace the ageing Shackleton for early warning cover. But the U.S. is lobbying NATO to buy the Boeing AWACS system with its "flying mushroom" (right).

NATO Defence Ministers, meeting in Brussels this week, are faced with the ... expensive decision the ...ntic Alliance has ever had ...ake. They are being asked ...ommit about $2.4bn.—that ...nore than the total annual ...nce expenditure of a small ...O country such as Belgium, ... well over twice that of ...way—to a system which ...s undoubted technological ...riority, but which perhaps ... only be acquired at the ...nse of diverting essential ...urces from other fields (not ... in defence) and of great ...ical friction.

...he system is AWACS, or ...orne Warning and Control ...em, and is designed to give ...tern Europe early warning ... enemy missile or aircraft ...ck. But, because it is ...cally American and consists, ... is presently being offered, ...7 Boeing E-3A aircraft plus ...nd equipment, it raises in ...most acute form so far the ...stion of how far Europe can ... in buying U.S. technology, ...he price is a loss of jobs for ...own defence industries.

...n the longer term, the ...ACS decision also raises the ...stion of what is the good ... theoretical technological ...eriority, if the price of ...eloping it is so high that ...y NATO countries will ...ply refuse to pay it.

...he cost/jobs problem is par...larly relevant to Britain, ...ch is the only country to have ...n developing anything like an ...rnative project. Mr. Fred ...lley, the Defence Secretary, ...ld almost certainly prefer ... go for a Nato solution and ...ept the Boeing E-3A. Yet to ... so would involve a British ...tribution to a Nato pro...mme over a period of years ...about $450m. (over £270m.), for which British industry would get in return a work equivalent of little more than $150m. It would also mean the dropping of the British alternative. A formidable parliamentary lobby is grouping against any such action.

The U.K. alternative is development of a new version of the existing Hawker Siddeley Nimrod anti-submarine warfare patrol aircraft, intended to replace the ageing Shackletons in the RAF which have been providing early-warning cover for this country for many years. The U.K. could not afford to finance both the Nato E-3A and the Nimrod, and a commitment to the E-3A would inevitably mean the end of the Nimrod in the airborne early warning role, although it would, of course, still be used in its anti-submarine role.

The replacement dilemma has arisen because for years NATO has failed to take a decision on what to do about providing cover for a signficant gap in its defences—the need to detect high-speed, low-flying aircraft which can slip through all the existing ground-based radar warning networks, especially in the widely varying terrain of Western Europe from the northern tip of Norway to the Eastern Mediterranean.

Ground-based radars are rendered ineffective for low-level detection at long-range because of the curvature of the earth, while the hilly and, in some places, mountainous terrain along NATO's frontiers can make it much easier for hostile aircraft to slip through the net.

The answer to the threat of low flying attack aircraft has been the evolution of a new strategic concept, called Airborne Early Warning (AEW). All this amounts to is taking some of the existing radar sets *and mounting them on high-flying aircraft.* so that they can look down on the intruders and detect them much earlier than can be done now. The U.S. Air Force's solution to the AEW problem has been to develop an aircraft, called the E-3A by the Boeing (it is, in effect, a converted 707 jetliner) but called AWACS by the USAF. AWACS does more than just detect, it also acts as an aerial command post directing defending fighters and missiles on to their targets. With enough of these aircraft, a massive radar "umbrella" is provided. The U.S. is buying 27 E-3As for its own defence purposes and is lobbying NATO to buy a similar number for the defence of Western Europe.

But even before the E-3A came on the scene, the U.K. was committed to Airborne Early Warning. For years the RAF's Shackleton aircraft have patrolled the Eastern Atlantic, detecting Soviet reconnaissance aircraft coming down from the Arctic, *and directing defending* Lightning fighters on to them. But because of the Shackleton's age, some time ago the U.K. began studying the possibility of a new variant of the Nimrod maritime patrol aircraft, originally developed from the Comet jet airliner for anti-submarine warfare duties.

The Nimrod has all the endurance and high-flying qualities needed for the AEW role, but would need new types of radar and other electronics to equip it for AEW. Much work has been done on planning this new variant, and the time is now rapidly approaching when a decision must be taken for or against it, because of the need to fund the expensive production phase.

A decision might have been taken over a year ago, had it not been for the emergence of the E-3A AWACS aircraft. The U.S. strength in NATO, and the undoubted attractions of standardisation offered by the E-3A, led to a competitive *evaluation of that aircraft* against the Nimrod. While many in the U.K. aerospace industry would argue that the evaluation was at best cursory, and at worst *virtually* non-existent, the E-3A won.

Since then, all the discussion inside NATO has been not on buying either AWACS or Nimrod, but solely on whether NATO could afford to buy the U.S. aircraft. Nimrod has been left out in the cold, with the U.K. continuing work on it solely because it offered a fall-back replacement of the Shackleton in the event of NATO eventually rejecting any airborne early-warning aircraft altogether.

The latter is not entirely out of the question, though it would happen more by accident than design. The main protagonists of airborne early warning in NATO are the U.S. the U.K. and Norway. Canada would also probably go along. Some interest has been shown too by the French, who are prepared *to belong to integrated NATO* defence systems when they think it is necessary. The Dutch, the Belgians and the Danes are lukewarm. They acknowledge *the likely effectiveness of* AWACS, but they are also aware that the benefits to their own defence industries would be small and that participation would impose an additional burden on their defence budgets. What one suspects they would really like would be for AWACS to go ahead, but to be funded very largely by the Alliance's major powers.

In effect, this places the onus on West Germany, easily the richest power at the European end of NATO. If the Germans were to say no to AWACS, it would be without doubt a dead duck. There is no reason so far to believe that they would wish to do so, although the Government could have a problem in presenting the expenditure to a Bundestag which has already been highly critical of the rising costs of the Anglo-German-Italian multi-role combat aircraft (MRCA). There would be almost no chance at all, however, of Chancellor Schmidt accepting AWACS as a basically *U.S.-German project. To Herr* Schmidt the expenditure could only be justified if it were backed by the Alliance as a whole, or at least by a large part of it.

This, in turn, puts the onus back on Britain. If the British Government were to come down in favour of Nimrod rather than Boeing, it would probably destroy any possibility of a NATO solution. It would be taken, at least by the Germans, as a vote against Alliance solidarity and, *in practice, that is what it would* be. For if Mr. Mulley were again to press the claims of Nimrod at this week's meetings, he would take no member of the Alliance with him. Even if he were to call for the decision to be yet again deferred, he would be risking a further substantial delay in getting any kind of airborne early warning system under way. Yet if he were able to opt for AWACS, he would probably be able to bring in not only the Germans, but also the small country waverers. There could then be both better European defence and greater cohesion of the Alliance.

The domestic pressures against such a course remain considerable, both from Parliament and the U.K. aerospace industry, and it cannot be denied that the cost of AWACS is high. On the NATO reckoning, it works out at about $90m. per aircraft, plus essential ground equipment. It could be several millions more or less, depending on how sophisticated the allies want the project to be. It is the sort of question Britain has faced before both in the civil and military sectors—whether to put the maintenance of a British project first or the wider interests of the Alliance. One way or another, AWACS *could provide a decisive answer.*

Letters to the Editor

Exchange Control

From Mr. H. Astor

Sir,—We should like to draw ...r attention to the recent ...change Control Regulations ... the Bank of England con...rning merchanting by firms ... the U.K. Regulation E.C.68 ...d amendment have the fol...wing effects.

No *multi-lateral or bi-lateral* ...ade without Bank of England ...pproval, and if such a deal is ...pproved the Bank has to ...nance the foreign currency pro...eds before they are received ...om the time the documents are ...id. No purchases for stock hold...g, that is, goods purchased ...d not yet sold. No B accounts, ...at is, no foreign currency ...counts for companies in the ...K. No facilities for sales in ...erling outside the U.K.

In our opinion this is counter...oductive to this country's ...*port earnings* as the invisible ...port earnings of merchanting ...sinesses of bi-lateral and ...lti-lateral trade are very con...lerable.

...F. Astor.
...hn Kellys (London),
...*escot House,*
...*escot Street, E.1.*

Council house finance

...om Mr. B. Feldman.

Sir,—Joe Rogaly's Lombard ...lumn (November 23) paints a ...arkly accurate picture of the ...surdities of Greater London ...ouncil's housing finance pro...amme. His terms of reference ...e rightly those "applicable to ...e sane world." This is not the ...orld lived in by the Socialist ...C. But with reduced financial ...lp from the Government and ...e whole domestic rating system ... bad odour, it now has no ...ernative but to face the harsh ...uths of the real world.

The alternative to the financial ...aos in GLC housing must be ... radical one. To start with, ...e costs must be faced. To ...ild a new dwelling in London ...sts about £20,000, not £17,000. ...is extra £3,000 is the interest ... the *cost of the land and of* ...ilding during construction, and ...based on interest rates of 10½ ...r cent., rather than the current ...gher rates. Based on the ...esent annual quota of new ...vellings, this miscalculation ...nounts to an extra £18m. which ...ust be met by London's rate ...d taxpayers.

Having faced some hard ...uths, commonsensical and busi...ess like, criteria must then be ...plied to this urgent book-...lancing exercise. To this end, ... submit the following initial ...*commendations,* to take effect ...er a three-year period, as the ...asis of a different approach to ...LC housing.

Launch Horace Cutler's coun...l home "sale of the century," ...ming to sell a carefully ...elected 20 per cent. of the hous...g stock in Greater London and ...ut-county estates. Savings—...400m. of capital raised; £60m. ...f interest, subsequent interest ...n that sum and £100m. of sub...dies each year.

Build the normal quota of ...000-6,000 homes every year for ...e next three years, but the ...ast majority should be for sale ...ather than for rent. Savings—...300m. in capital, £45m. in...terest and/or £37.5m. in ...ubsidies.

Reclassify those items which ...ualify for council maintenance, ...ncouraging a progressive move ...owards the use of DIY methods ...y tenants. This would result ...n *substantial savings* in the ...nnual £80m. cost of manage...ent, maintenance and repairs.

Put out more building contracts to competitive tender among private firms, as opposed to overmanned and costly direct *labour departments.* This would mean large savings in building costs, and the curtailing of unemployment and bankruptcies in the building industry.

These savings of capital and revenue over three years could well amount to £1bn., less tax relief on mortgage interest. Bearing in mind that the GLC's housing stock amounts only to 3½ per cent. of the country's council housing stock, and taking note of Mr. Rogaly's salutary message, savings of these massive proportions in London indicate the *enormous size* and scale of possible savings in the nation's housing budget.

Basil Feldman.
GLC Housing Management Committee.
County Hall, S.E.1.

An end to bickering

From Mr. T. O'Brien.

Sir,—There has been a great deal of envious comment about inflation-proof pensions in your paper recently, and also some bland remarks about company cars as a perk in "nearly all public companies" (as one writer put it).

There is a letter to-day from Mr. Panes which suggests to me how the envy of this first group may be appeased by utilising the advantages *many of* them derive from this tax-free provision of cars. The figures quoted by Mr. Panes indicate that the company-provided car is worth approximately a further £2,400 a year in salary, and as this is an annual provision it is, of course, index-linked.

So there is the answer! Stop all index-linked pensions to civil *servants. Allow them instead* an index-linked £2,400 a year for their 40 working years to put into a separate pension fund (apart from their normal one which would no longer be index-linked) and I think you would find most of them would be happy to accept this alternative. And the envious would also be satisfied.

The rest of us might also be content, being spared any further of this petty bickering.

T. P. O'Brien.
Innisfree, Seal Square,
Selsey, Chichester,
Sussex.

Company cars

From The Managing Director, Cathfield Ltd.

Sir,—Your correspondent Mr. J. Tennent, November 30, greatly overstates the cost of running a company car, unless he has a taste for exotic imported models.

*He ignores the effects of infla*tion on depreciation. Trade in values of good used cars rise in line with the price of the new *model. He* may depreciate the *car in his books,* but if he has chosen wisely he will find when he comes to replace it that he will get nearly what he originally paid for it—in money terms.

He overestimates the standing charges. Buying a new car he should only have to pay the road fund licence, insurance and routine maintenance. Repair costs are nil in the first year and *surprisingly low in the* second. (A scheme offered which provides, among other features, an extension of the full guarantee for the second year only costs £84.00 on a 2,000 c.c. car.) New tyres? He will not get enough motoring on £805 worth of petrol a year to wear them out!

It is totally regrettable that our tax rates make "perks" *necessary, but they do, and a* company car is one of the more efficient ways of rewarding executives.

W. St. G. Hombersley,
The Old Rectory, Over Wallop,
Near Stockbridge, Hampshire.

Inflation accounting

From Mr. T. Turnbull

Sir,—On a going-concern basis, a bank's deposits are as stated, neither more nor less. But, even under nil inflation, its advances must be valued commercially. Treat them at inventory, rather than monetary items, at their "value to the business," and the necessary adjustment comes "above the line." Or treat the banks as "contractors in money."

T. K. Turnbull.
33, Platts Lane, N.W.3.

A profitable institution

From Mr. P. Cautley

Sir,—As someone who has been putting together a marketing unit concerned with technology transfer for the past three years, I would like to take the opportunity of coming to the defence of the National Research Development Corporation whose role is currently being questioned in the columns of the Press, basically I think through total ignorance on the part of a number of observers and, *in particular,* by certain well-meaning MPs in the House of Commons.

The NRDC was created by Parliament and it is that body which laid down the guide-lines on how *the Corporation should* operate. It is right that the NRDC's remit should be questioned from time to time, but this should be done against a clearer understanding of the past activities which, in the main, appear to be successful.

The simple fact is that the NRDC has been making a surplus for a number of years and *the implication in the Press that* it should start giving money away to fund all these lovely inventions and developments which come out of the universities and industry is just not on. I have recently been involved with two brilliant inventors, one of whom is going through the NRDC funding routine and the other "wrote-off" the NRDC years ago as being totally irrelevant to his requirements. The latter, frankly, is self-centred, brilliant, impatient and very difficult. The former is ready to listen, persistent *and would* seem to be winning his way to some funds through the NRDC. It is simply a question of personality and business sense.

We are told the reject rate on inventions by the NRDC is very high. I would respectfully point out that in my personal experience, so many ideas and *developments are* worked out in a total vacuum with no market need in mind, that the enthusiastic inventor proves no substitute for a practical business proposition.

Too often the NRDC is seen either by failing companies as a means of rescuing them from a negative cash flow, or by enthusiastic inventors who rightly believe in their own development, *but fail to appreciate that* they need someone to buy it, and who only see the NRDC as a sort of financial Pandora's box, set up for their exclusive use!

I believe that if the NRDC did not exist it would have to be created. It is playing a vital role in bringing U.K. technologies and developments into the commercial world. My only criticism of the NRDC is that it does not *press sufficiently on marketing* back-up in developing sales in their various investments. This is a minor criticism, however, against its success as a profitable institution.

Paul Cautley,
Shire Hill,
5 Warden Court,
Cuckfield,
Sussex.

Time to improve public services

From the Chairman
Brian Woodhead and Co.

Sir,—Comments on the need to control and reduce public expenditure seem to assume that inevitable consequences will be reduction in services provided and reduction in numbers employed. I suggest this is too *gloomy a view if two important* constructive possibilities are taken into account:

Substantial improvements in utilisation of personnel and materials (input) can be made, leading to reduced costs, *yet at the same time* avoiding reduction in service (output). There are many instances in the public services and industry where successful productivity improvement programmes have achieved this desirable result. Key ingredients are adequate leadership, skill, determination and incentives, such as sharing of benefits, and other forms of motivation.

Main opportunities for economies lie in the costs of material and personnel. By concentrating on the substantial savings available in material cost-using value analysis, purchasing techniques, improved stock control, etc.—it is possible to reduce the pressure and need for savings in the other resource (personnel); with corresponding reduction in anxiety and resistance to change.

Having examined different methods, I believe that the "*total*" *approach to measuring* and improving the effectiveness of large organisations is the right one, working to an organisation-wide programme. Participation and involvement at all levels is essential, one method is to use multi-level and/or multi-discipline project groups. Apart from tangible cost reduction improvements, it is possible to *obtain lasting side-benefits from* the improved "working together" relationship that develop with the study and awareness of colleagues' problems. The "total" approach draws people together in a common objective, and also avoids the divisive tendency where activities or departments are singled out for attention in a piecemeal fashion.

Another important feature of such improvement programmes is participative training to change attitudes, open minds and spread awareness and *knowledge of control* and improvement techniques. For a period of say 12 months, projects involve a lot of hard but stimulating work and it may be useful to employ *temporary out*side assistance to cope with the peak load, provide additional skills and obtain the results more quickly. On completion, everyone participating should benefit, materially as well as having the satisfaction of belonging to a smoother-running organisation. Let us hope that the next phase of incomes policy will *allow properly monitored* projects to use part of the improvement in some form, for the benefit of those who by their efforts have brought it about.

A. B. Woodhead.
107, Harborne Road,
Edgbaston, Birmingham.

To-day's Events

GENERAL

Cabinet continues consideration *of terms for IMF loan.*

Wholesale price index for November published by Department of Industry.

Prime Minister and Mr. Denis *Healey, Chancellor of the Ex*chequer, meet Mr. Robert Anderson, chairman, Atlantic Richfield, new owner of The Observer.

Mr. Reginald Freeson, Minister of State, Environment, launches Co-operative Housing Agency.

British Leyland toolmakers expected to hold 24-hour strike over wage differentials and negotiating procedures.

Mr. Janos Kadar, Hungarian party leader, begins two-day visit to Austria.

Lord Robens, chairman, Vickers, is guest speaker at Coal Industry Society lunch, Hyde Park Hotel, S.W.1.

City University confers honorary degree of D. Litt. on Mr. Roy Jenkins, president-elect, European Commission, Guildhall. Others receiving honorary degrees from *Sir Robin Gillett, University's* Chancellor and Lord Mayor of London, are: Lord Caccia, Provost of Eton and former head of Diplomatic Service; Professor Sir Karl Popper, Emeritus Professor of Logic and Scientific Method, London School of Economics; Mr. Jack Davies, member of City University's Council and former executive director, Bank of England; Sir Eric Eastwood, consultant to GEC-Marconi Electronics; and Professor D. J. Finney, Professor of Statistics, Edinburgh University.

Industrial Society conference on worker-directors, 48, Bryanston Square, W.1.

Hambro Award for Businessman of Year, Savoy Hotel, W.C.2.

London Chamber of Commerce mission to Kuwait leaves.

PARLIAMENTARY BUSINESS

House of Commons: National Insurance Surcharge Bill, second reading. Consideration of EEC document on water.

OFFICIAL STATISTICS

Retail sales (October, final). Hire purchase and other instalment credit business (October).

COMPANY RESULTS

Management Agency and Music (full year). London and Overseas Freighters (half-year).

COMPANY MEETINGS

See Week's Financial Diary on page 6.

OPERA

Royal Opera production of Ariadne auf Naxos, Covent Garden, W.C.2, 7.30 p.m.

COMPANY NEWS

Bellway in sound position

BUILDING, development and property investment group Bellway Holdings is in a sound position, but there is no doubt that the months ahead will be extremely difficult, says Mr. J. Bell, the chairman.

In his annual statement for the year ended July 31, 1976, he says that despite the national trend, a good rate of sales has been maintained in all areas of housebuilding activities. The group is continuing to expand into new areas, including Sussex, York and Lancashire.

Profit fell from £3.3m. to £2.77m. in 1975-76, largely reflecting performance in France. Dividends totalling 2.51p net per 25p share, against 2.2815p, were paid (as reported November 4).

Short-term bank borrowings were reduced by £548,000, and interest charges by £364,000.

The loss outstanding in Bell Construction has been contained, says Mr. Bell. However the directors, while recognising that Bell France is trading satisfactorily in the Paris central region, have decided to make a substantial provision against probable future losses on a development undertaken at Mayvillages Le Touquet, of which 60 per cent. of units built are now sold.

This represents the initial phase of a much larger development where substantial infra-structure and promotional costs have been incurred.

Additionally they expect to commence construction of 160,000 square feet of retail accommodation by May, 1977.

The directors are of the opinion that investment properties, which stand in the accounts at £9.63m., are undervalued by at least £2.5m.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Attwood Garages, Bishop's Stores, Bremner, Caffyns, Carclo Engineering, Kleen-E-Ze, London Asiatic Rubber and Produce, Alfred Preedy, Shaw and Marvin, Turner Curzon, Whitecroft.

Finals—Management Agency and Music, Northern Irish and Scottish Investment Trust, Wearra.

FUTURE DATES

Interims—

Danks Gowerton	Dec. 16
Goldrei (Ch.) Foucard	Dec. 15
Ingram (Harold)	Dec. 7
Jacksons Bourne End	Dec. 13

Finals—

Burco Dean	Dec. 10
Tilley Lamp	Dec. 7
Trafalgar House Investments	Dec. 9
Weyburn Engineering	Jan. 12

British Ind. & General sees growth

DESPITE ECONOMIC uncertainties there should be further growth in revenue for British Industries and General Investment Trust during the current year says Mr. David R. Stevens, the chairman.

Net revenue has shown an increase of 6 per cent., up from £136,758 to £145,174, over the year ended September 30.

Total income from shares and securities has shown an increase in excess of 10 per cent. reflecting dividend growth both in the U.K. and overseas. The increase in income from overseas reflects not only a rise in local dividends but also the decline in the sterling rate, says Mr. Stevens.

As reported on November 18, the final dividend of 1.95p net per 25p share made the total for the year 3.0p (2.8p).

The total value of all investments rose from £5.6m. to £6.14m. Investments are chiefly in the U.K. 35 per cent., U.S. 32 per cent. and Japan and Far East 11 per cent.

This geographical spread has proved its worth during the year and must enhance the risk spreading concept of the investment trust. This is not, however, reflected in the share price which has fallen from 75p to 70p and the discount on the net asset values has increaesd from 30.6 per cent. to 42.6 per cent., the chairman comments.

London and Manchester Assurance Company, and its subsidiary, Welfare Insurance Company, hold 26.17 per cent. of the trust's preferred stock and 17.84 per cent. of its deferred share capital.

Nth. American Trust revenue increase

Gross income of The Northern American Trust Company for the year ended November 1, 1976, rose from £1.9m. to £2.05m., and pre-tax revenue advanced from £1.25m. to £1.31m.

The final dividend of 1.75p net per 25p share lifts the total from 2.3p to 2.45p. Stated earnings were 2.47p (2.38p) per share.

Mr. I. R. Guild, the chairman, says that there are indications that revenue should continue to increase and he hopes at least to maintain the present rate of dividend.

Net assets are £41.82m. against £39.25m., and net asset value per share (prior charges deducted at nominal values) is 94.3p (92p) or 95.8p (93.7p) fully diluted.

Mr. Guild says that the percentage of overseas investment has gone up from 50 to 63 per cent., the main rate of increase being in Japan and Hong Kong. He says that it is the company's policy to hold a large part of funds in countries whose atmosphere is more conducive to growth and financial prosperity.

FT Share Service

The following securities have been added to the Share Information Service. Houston Natural Gas (section: Overseas—New York). Reabrook Investment Trust (section: Investment Trusts). Stevin Group (section: Overseas—Amsterdam).

Terry Kirk

Mr. Basil Mavroleon, chairman of London and Overseas Freighters, which is to-day due to announce interim figures for the half-year ended September 30, 1976.

Vickers da Costa £80,000 settlement in Kina share dispute

BY MARGARET REID

VICKERS DA COSTA, the large stockbroking concern, is paying £80,000 in respect of investment advice which led to M. & G., the major unit trust group, purchasing £100,000 of shares in Kina Holdings, the unquoted engineering company to which a receiver was later called in.

This settlement of the dispute between the two parties, which Mr. Ralph Vickers, chairman of Vickers, confirmed yesterday had taken place, is likely to arouse considerable interest within the investment community. The circumstances are, however, somewhat unusual, which may make it difficult to draw inferences for other cases.

Kina, an East Anglian company started by Mr. Edwin Hearn, produced high-pressure water-spraying equipment and won two Queen's Awards for Industry, the second in April 1975. Seeking a needed injection of cash, the company turned to Vickers da Costa, which put up money and seconded one of its staff, Mr. Marcus Gregson, to act as general manager.

In April 1975 Mr. Gregson sold £100,000 Kina shares to M. & G. As that year went on Kina's position deteriorated and in October 1975 a receiver, Mr. Roger Cork of Cork Gully, was called in by Barclays Bank, creditors for £400,000. Mr. Cork stated soon afterwards that all the shareholders' money had been lost.

Mr. Vickers yesterday confirmed that his firm was making the £80,000 payment in settlement of the dispute with M and G over its investment because Mr. Gregson had assured M and G, in a letter on Vickers' note-paper, that Kina had been thoroughly investigated, referring to enclosed unaudited accounts, profit projections and so forth.

"It was unfortunate. I think Mr. Gregson when he wrote thought various things were being put right which weren't put right," said Mr. Vickers. "He was at that time employed by us and we had to take responsibility for what he had written."

He added: "We were intending to have an accountants' investigation.' Before we could get such an investigation, the company folded up."

The payment to M and G has been included in Vickers' results, announced last week for the period from April 25, 1975, to August 31, 1976, showing profit of £610,000. During that time, Vickers lost £350,000 on its U.K. operations, just more than balanced this with a £360,000 profit outside the U.K., but raised total profit to £610,000 with credits of £160,000 for exchange differences, £150,000 for tax recoveries and £290,000 for extraordinary items.

Fertilisers loss hits Wm. Sinclair

VERY satisfactory results by the seed group, culminating in record profits, were reported at the annual meeting of William Sinclair and Son, the holding company of the Sinclair McGill Seeds Group and the Lindsey and Kesteven Fertilisers Group.

Sinclair McGill's profit for the year ended June 30 amounted to £337,581, compared with £242,754 in the preceding year.

However, L and K, which for many years had shown an increasing profit, reported a loss (before tax adjustments) of £185,659, compared with a profit of £583,730 in 1974-75.

Consolidated profit before tax amounted to £132,857 (£820,090).

Looking to the future, the chairman reported that sales and profit contribution to the end of October were much improved at L and K, and Sinclair McGill were in a satisfactory supply situation and confident of showing a further increase in volume sales and profits.

London tea sales

At the tea sales held in London last week 42,670 packages sold realised an average price of 98.56p per kilo compared with 101.28p at the previous sales and against 62.73p a year ago. Plain tea was quoted at 81p.

	No. of kilos	Average per kilo
African Highland Prod.	46,823	108p
Amgoorie	3,097	123p
Assam Co.	28,672	115½p
Assam Dooars	33,273	89p
Assam Frontier	190,051	104p
Attaree Khat.	13,153	110p
Blantyre	11,755	75½p
Borelli	13,300	108p
Chulsa	26,890	96p
Dekhari	36,821	110½p
Doom Dooma	26,364	108p
Eastern Assam	25,739	106p
Janatha	282,959	94p
Jhanzie	6,007	107½p
Jokai	64,546	107p
Jorehaut	10,491	110p
Kenya T. Co.	137,823	112p
Kenya T. Dev.	23,536	118½p
Laleri	8,430	96½p
Majuli	3,883	106p
Moran	23,490	113p
Namingomba	3,022	84½p
Pabbojan	26,192	109½p
Ruo Estates	16,390	85p
Sri Lanka SP	199,567	94½p
Thanai	6,119	110p
Tingri	6,400	110p
Upper Assam	18,831	109p

Stocks at November 26 amounted to 33,425 metric tons, compared with 62,412 metric tons a year ago. Converted at 45.308 kilos per package.

BIDS AND DEALS

Jeyes and Nokia Oy to merge Irish interests

Jeyes Group and Nokia Oy, Finnish paper producers, announce the decision to merge their interests in Ireland.

Nokia, which wholly owns Raytex of Waterford, will transfer its Raytex capital to Jeyes in exchange for an undisclosed sum and a 9 per cent. holding in Jeyes (Ireland).

The three companies concerned regard the partnership as an essential move to ensure continuity of production at the Dublin and Waterford plants, to safeguard jobs, and to provide development.

Raytex, (which manufactures soft tissue products and table stationery) believes that one of its main sources of future growth will be in exports and anticipates that major benefits in this area will accrue from the merger.

Jeyes Ireland is a health and chemical products company, and the exchange of technical knowhow between Jeyes and Raytex will bring significant benefits.

Since 1972 Jeyes Ireland has been pursuing a major policy of export development. It already exports to the U.K., France and Nigeria, and is currently examining other markets.

Nokia is a public company and its operations span a number of diverse fields, of which paper production is the most export orientated. It has been a major supplier to both Jeyes and Raytex for many years.

The agreement ensures a permanent outlet for Nokia's production in Ireland. Nokia has undertaken to help promote exports of the Irish manufactured tissue products through its European subsidiaries and trade contacts.

UTD. INDUSTRIAL RATIONALISES

The United Industrial Company has rationalised its U.K. warehousing division, closing its warehouses at Donisthorpe Street, Leeds, and concentrating warehousing activities at its premises in Sheffield.

Completion has now taken place of the sale by United Industrial Properties (a subsidiary), of its freehold interest in part of the warehouse premises at Donisthorpe Street to Douthwaite Florists Sundries for a consideration of £130,000 in cash.

As part of the transaction the purchaser has acquired the fittings in the warehouse for £20,000 cash.

Contracts have been exchanged for the sale of United Industrial's remaining interest in the warehouse to B. Martell and Co. for £110,000 cash for completion on or before January 7, 1977. Proceeds of the sale will be applied in reduction of borrowings.

CASTLEMERE/ ABERCORN

In response to the offer by Castlemere Properties (Manchester), Castlemere holds 95 per cent. of Abercorn General Investments shares. It is intended to acquire the balance compulsorily.

JONES STROUD

Jones, Stroud (Holdings) is to acquire the outstanding 1 per cent. of the share capital of J. and J. Cash compulsorily. This follows the successful outcome of its offer, which was declared unconditional on October 8.

NO PROBE

The Secretary of State for Prices and Consumer Protection has decided not to refer the proposed merger between William Press and Son and James Scott Engineering Group to the Monopolies Commission.

ARMSTRONG/CRANE'S SCREW

Acceptances received in respect of the Preference offer by Armstrong Equipment for Crane's Screw total 61,183 shares (76.47 per cent.). The offer is extended to December 17.

Armstrong now controls 1,963,789 Ordinary shares (78.55 per cent.) of the enlarged Ordinary capital. The offer remains open, and is now unconditional.

BOOKER/CENTRAL LONDON

The Booker McConnell offer for Central Wagon has become unconditional.

Acceptances have been received for 10m. Ordinary shares (80.02 per cent.). Booker acquired 400,726 shares (3.2 per cent.) during the offer period. The offer remains open.

SHARE STAKES

Since August 20 Mr. P. M. Worthington has increased his holdings in A. J. Worthington (Holdings) Ordinary shares to 310,000 shares (15.57 per cent.).

John James Group of Companies has acquired 23,315 David Dixon and Son Holdings 4.27 per cent. Preference shares (more than 10 per cent.). These shares are held on behalf of the Dawn James Charitable Foundation.

Australian Agricultural announces that Colonial Mutual Life Assurance together with its associates now holds 4,152,997 shares in the company.

Mr. J. T. Syrad has disposed of 85,000 British Vending Industries shares.

● NEWS ANALYSIS—LIFE ASSURA

Yet another good year

BY ERIC SHORT

THE RECORD new business figures published last week by Standard Life Assurance, where sums assured in the U.K and the Irish Republic exceeded £1bn. for the first time, indicate that it will be another good year for the life assurance industry, with fresh peaks being attained in business written.

In the 12 months to November 15, the company reported a 10 per cent. increase, compared with last year, in the sums assured on its U.K. individual business amounting to £700m. and a 15 per cent. rise to £345m on group business linked to pension schemes.

Overall its U.K. business was 12 per cent. higher at £1,045m.

The U.K. life assurance industry has traditionally measured its new business in terms of sums assured—the death cover provided under the contract—rather than in terms of new annual premiums.

Inflation

The latter, however, is a more realistic measure, being the amount of money coming into the company from the business written.

For Standard Life, annual premiums over the 12 months from new business were 20 per cent. higher at £38m., while single premiums received rose by £4m. to £27m.

The increase in premiums recorded for the company means that it has managed to keep ahead of the rate of inflation over the period.

Life assurance operates on a fixed premium basis, so that once the contract has been effected, there is no facility for increasing the premiums paid. Therefore, life companies are vulnerable to inflation which can send expenses soaring without being able to pass on increases to the consumer.

The solution lies in a steady flow of new business and in 1974 the industry was seriously concerned that new business could not keep pace with inflation. But the 1974 figures, with an increase of nearly 30 per cent., eased their worries and it now looks as if business this year at least will have kept pace with inflation.

The Standard Life closes its books on November 15 to facilitate the preparation of statutory returns on its Canadian business by the end of the year. This is in contrast to most other life companies, which report over a complete calendar year.

It does enable judgments to be made about the life assurance industry as a whole since the company is the largest life company in Scotland and one of the largest mutual life companies in the country. In the past, its results have been a useful indicator to overall performance.

A more detailed analysis shows that contracts linked to house mortgage re-payment schemes remain the leading source of business this year for Standard Life, reflecting the steady conditions in the house-buying market.

Committed

The company has always been among the leaders in this field, and is on the panel of life companies operating the Provincial Building Society's master plan, and this has made a useful contribution to business.

Many life companies are heavily committed to house mortgage business and should have a similar experience to Standard Life in a boost to new business.

However, the company has not had such an increase in straight life savings contracts which were not linked to house purchase. It will be interesting to see whether those life compa[nies] in the house-purchase fie[ld] have been able to expand new business this year to same degree.

The amount of annuity [busi]ness written by Standard increased by 28 per cent. the year to £127m. per [...]

Much of this growth occurred in the sale of [self-]employed pension-contract[s] total amounting to 3,500, double that of previous [year].

The self-employed get little pension provision [from] the State, and so have to [make] their own provision. A [policy] taken out with a life com[pany] is the most tax-efficient [way] of doing this.

Traditional

But the upsurge in bus[iness] seen this year appears to [have] arisen not so much from concessions contained in [last] year's budget as from the life office commission [...] which now make it much [more] attractive for insurance [brokers] and agents to sell this type [of] business.

Other life companies, traditional and unit-linked, indicated a tremendous up[surge] in this type of business and industry's figures in this [...] should show considerable [growth] this year.

But on the company pen[sion] side, Standard Life, one of [the] largest companies in this [field] after Legal and General Assurance Society, re[port] rather less activity than n[ormal] during the year.

This reflects the quiet p[eriod] between the upsurge in bus[iness] after the Conservative Gov[ern]ment's pensions legislation [and] the expected boom in sch[emes] arising from the present Gov[ern]ment's Social Security Pen[sions] Act, 1975, due to come [into] operation in April, 1978.

Bywater prepared to resign Sime Darby chairmanship

BY MARGARET REID

MR. JIM BYWATER is prepared to consider giving up the chairmanship of Sime Darby Holdings, while remaining a director if this would help solve the dispute with Malaysian interest over the composition of the group's Board.

This emerged over the weekend as talks continued, ahead of Friday's poll vote, between the company and Rothputra Nominees, which is acting for Pernas, the Malaysian State-owned concern.

Rothputra, commanding votes from holders of 26 per cent. of the shares, blocked the re-election of four British directors on Sime's Board at the recent annual meeting and proposed the election of three new directors, all well-known personalities in South-East Asia.

Although various bases for a possible resolution of the differences have been discussed, there was no sign last night that a solution making the poll unnecessary was in sight.

Last week, Rothputra took the initiative in seeking a compromise, proposing that it should accept two of the disputed four British directors, if the present Board accepted its three nominees and if it could name a chairman (probably from the existing or new Asian directors) in place of Mr. Bywater.

This has proved unattractive to the present Board, which considers that it would unduly reduce the executive element among the directorship.

Formulae

The difference about the number of executive directors was the difficulty about the Rothputra formula, rather than the chairmanship. Mr. Bywater, who made a 48-hour trip to London this week-end to see colleagues and advisers here, believes the chairmanship should be discussed afresh by the Board after the recent events. There has been no suggestion that he should do other than remain a director.

Among various formulae which have been discussed in the quest for a solution has been the possibility of a three-tier structure involving the holding com[pany] Board, a separate executive [...] and a new international adv[isory] panel to give full weight to [...] views.

One major group which [pro]vides a precedent for having international advisory comm[ittee] is the large U.S. banking [com]pany, Chase Manhattan Corp[ora]tion.

At Sime's recent annual m[eet]ing the present Board is th[ought] to have had support from a[bout] as many votes as the 26 per [cent.] backing Rothputra.

If the matter is unsettled [be]fore the poll, much will de[pend] on the decision of holders of 48 per cent. of the shares [in] Singapore.

Both the present Board [and] Pernas have considerable r[eason] for wanting a settlement, [the] latter so as to avoid any adv[erse] effect of a conflict on investm[ent] sentiment towards Malaysia [and] the former because 64 per [cent.] of the group's business [is in] Malaysia, whose good-will is [im]portant.

Air fare cuts cause problems

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

WIDESPREAD unofficial cuts in Government-approved international air fares are causing serious financial problems for the world's airlines.

Revenue lost because of such practices is estimated to amount to between $300m. and $500m. a year, the International Civil Aviation Organisation says.

To recoup such losses, the airlines tend to raise their fares to cover costs, to the detriment of airline passengers. This leads to reduced traffic growth, thereby in turn encouraging the airlines to offer more fares cuts in a bid to get back that traffic.

These points are made by the organisation in a background paper prepared for the Special Transport Conference it will hold in Montreal from April 13 to 28 next year, at which government representatives will consider the whole question of fares-fixing policies in air transport as well as how to enforce those policies.

The conference is the most important to be called in c[ivil] aviation for many years. [It] illustrates the deep concern [felt] by governments at the wa[y in] which the airlines' own a[bility] to handle fares-fixing, and [its] enforcement, has diminished.

The airlines, in turn, [and] especially the members of [the] International Air Transport A[sso]ciation (IATA), argue that [many] of their problems stem [from] governments' own inability [to] agree on coherent air tra[nsport] policies.

Pending dividends

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board-meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year		Date	Announcement last year
...P Industries	Jan. 6	Int. 4%	Initial Services	Dec. 19	Int. 5.1%
...lied Breweries	Jan. 8	Final 13.4%	Johannesburg Cons. Group	Dec.	Dividends
...glo Amer.	Dec.	Dividends	*K Shoes	Dec. 13	Final 7.9%
...glo-Transvaal	Dec.	Dividends	*Lindustries	Dec. 15	Sec. Int. 12.5%
...mitage Shanks	Dec. 8	Int. 12%	*Lloyds and Scottish	Dec. 8	Final 15.1%
...soc. Dairies	Dec. 12	Int. 4.9% §	LRC International	Dec. 16	Int. 16.1%
...soc. Engineering	Dec. 16	Final 16.4%	*Lyons (J.)	Dec. 9	Int. 8.1%
...soc. Television	Dec. 9	Int. 11.4%	McCorquodale	Jan. 7	Final 13.3%
...ker Perkins	Dec. 9	Int. 4.6%	*Meyer (Mont. L.)	Dec. 14	Int. 5.5%
...rlow Rand Mines Group	Dec.	Dividends	*Natl. Westmnstr. Bank	Mar. 1	Final 8.8%
...ssett (Geo.)	Dec. 7	Int. 4.8%	*Northern Foods	Dec. 15	Final 9.4%
...risford (S. & W.)	Dec. 17	Final 21%	*Pegler-Hattersley	Dec. 9	Int. 15.7%
...OC International	Dec. 17	Final 8.8%	*Philips Lamps	Dec. 10	Int. Fls.0.40
...rton Group	Dec. 16	Final 8.6%	*Pilkington Bros.	Dec. 8	Int. 6.7%
...tterfield-Harvey	Jan. 7	Int. 5.4%	*Ranks Hovis	Dec. 7	Final 8.5%
...venham	Dec. 18	Int. 9%	Ransome Hoffmann	Dec. 9	Final 11.9%
...arterhouse Group	Dec. 16	Int. 13.4%	Samuel (H.)	Jan. 6	Int. 6.1%
...mpair	Dec. 15	Final 22.9%	*Serck	Dec. 14	Final 8.5%
...stillers	Dec. 18	Int. 5.2%	Stand. Chrtrd. Bank	Dec. 2	Int. 10.4%
...ectronic Rentals	Jan. 2	Int. 8.5%	Stead and Simpson	Jan. 8	Int. 3.1%
...ch Lovell	Jan. 27	Int. 8%	Stock Conversion	Jan. 22	Int. 3.7%
...neral Electric	Dec. 5	Int. 10.1%	*Trafalgar House	Dec. 8	Final 16.1%
...neral Mining Group	Dec.	Dividends	Unigate	Dec. 18	Int. 6%
...ld Fields Group	Dec.	Dividends	Union Corpn. Group	Dec.	Dividends
...anada	Nov. 28	Final 6.6%	*Vaux Breweries	Dec. 16	Int. 5%
...Universal Stores	Dec. 4	Int. 16.1%	Wilkinson Match	Jan. 6	Int. 4.7%
...mpers (A.)	Dec. 11	Final 23%	*Woodhead (Jonas)	Dec. 16	Int. 19.8%
...Gas	Dec. 14	Int. 4.8%			

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

RECENT ISSUES

EQUITIES

Issue Price	Amount Paid Up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	—	£311⅞	£231½	Esmark $US1	228¾	−1	Q$1.68	—	5.0	—
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	...Ind. Technologies [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	7/1	197	125	Willis Faber 20p	185	[illegible]	870	[illegible]	9.4	5.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price £	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Essex Water 9% Red. Pref. 1982	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Kuwait ... [illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Korea Development Bk 8¾% Guar. Bonds 1979	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Midland Int. Fin. 8¾% Gtd. Bds 1986	[illegible]	[illegible]
[illegible]	F.P.	31/12	[illegible]	[illegible]	Newman Inds. 10% Cum. Pref.	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Nova Scotia (Prov. of) 9% 1983	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Polysar 8¾% Deb. Series 'D' 1988	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Sth. of Scotland Elec. 8¾% Guar. Notes 1981	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Tendring Hundred W'wks 9% Red. Pf. 1981	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Willis Faber 7% Cum. Pref.	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1976 High	1976 Low	Stock	Closing Price p	+ or −
[illegible]	Nil	10/12	[illegible]	[illegible]	Assoc. Engineering	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Brown (Jn.) [illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Chloride Group	[illegible]	[illegible]
[illegible]	F.P.	6/12	[illegible]	[illegible]	Gray Electronics	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Fairbairn Lawson	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	General Accident	157	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Howden (Alexander)	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	National Bank of Australasia	[illegible]	[illegible]
1.20	F.P.	18/6	197	128	Western Mining	150	[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. d Dividend rate paid or payable on part capital; cover based on dividend on full capital. p Pence unless otherwise indicated. u Forecast dividend: cover based on previous year's earnings. M Figures based on prospectus or other official estimate for 1976. Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. Offered to holders of Ordinary shares as a "rights." 200 S.Afr. cents. Rights by way of capitalisation. †† Tender allotment price. ♦ Reintroduced. ‡‡ Issued in connection with reorganisation, merger or take-over. ♣ Introduction. ♠ Issued to former Preference holders. ‡ Allotment letters (or fully-paid). γ provisional or partly-paid allotment letters. § With warrants. ♦ After suspension. KD Kuwait Dinar.

Public Works Loan Board rates

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Equal repayments. Effective from November 27, 1976.

Years	Quota loans repaid by EIP†	by ER‡	at maturity	Non-quota loans A* repaid by EIP†	by ER‡	at maturity
Up to 5	14½	14¾	14¾	15½	15¾	15¾
Over 5, up to 10	14¾	15	15¼	15¾	15¾	16
Over 10, up to 15	15¼	15¼	15¾	15¾	16	16¼
Over 15, up to 25	15¾	15¼	15¾	16¾	16¼	16¾
Over 25	15½	15½	15½	16½	16½	16½

Credit Suisse pays less

BY JOHN WICKS

ZURICH, December 5.

THE SWISS Credit Bank of Zurich has announced a reduction in dividend to Sw.Frs.1.90 (2.20) for it mutual fund Credit Suisse Fonds-International for the financial year ended October 31.

The fund was faced with difficult conditions during the 12-month period, says the bank, with continuing appreciation of the Swiss franc, hesitant economic recovery and sluggish stock markets. Net income dropped by 9 per cent. to Sw.Frs.6.6m. and fund holdings by 6 per cent. to Sw.Frs.212m.

At the same time, the Bank's Fund Credit Suisse Fonds-Bonds for fixed-interest investments reported a favourable development, with holdings unchanged

INTERNATIONAL COMPANY NEWS

State may back Light buyers

BY DAVID WHITE

RIO DE JANERIO, Dec. 5.

THE BRAZILIAN Government is studying a proposal whereby it will provide financial guarantees for the takeover of the country's biggest public utility, the *Canadian-controlled Light* Servicos de Eletricidade, by a consortium of Brazilian companies, according to representatives of the consortium.

The Toronto-based company Brascan meanwhile confirmed that it had received an offer for its 83 per cent. shareholding in Light, which is the main supplier of electric power in Brazil's *industrial belt of Sao Paulo* and Rio de Janeiro. Light is Brazil's largest single private investment, with assets valued at around $1.3bn.

The offer revives a debate which has gone on since the early 1960s, when the civilian Government of President Goulart made moves towards taking over the company. President Goulart was deposed by the army in 1964, but the future of Light has remained in the balance, because of the large capital investments *required in the power sector.*

According to reports, the Government has estimated the company's investment needs at almost $2bn. by the end of the decade.

Brascan is understood to have shown its willingness to get rid of its main investment, and has diversified its interests considerably over the past few years. Its *subsidiaries include* an investment bank, a meat-packing operation and a brewery.

The company has already sold off its other public utilities, notably the telephone companies of Rio de Janeiro, Espirito Santo and Minas Gerais, to the Brazilian Government. However, Mr. Shigeaki Ueki, the current Mines and Energy Minister, has repeatedly denied any intention to nationalise light.

The offer made to Brascan involves a net price of $563m. *to be paid over 10 years.* The price is based on the nominal value of Brascan's shareholding, $680m., with the Canadian company bearing the onus of capital gains tax estimated at $117m.

The consortium bidding for light comprises 21 of the largest Empresa Brasileira de Participacoes (EMBRAPAR), private Brazilian companies, including the Varig Airline, the Bradesco, Nacional, Banco Mercantil de Sao Paulo and Uniao de Bancos banking groups and construction and engineering interests.

The offer hinges on support and guarantees from the Federal Government, which has been sent a detailed report on the takeover plan.

Ruetgers improvement

BY GUY HAWTIN

FRANKFURT, Dec. 6.

RUETGERS the Frankfurt-based chemicals group announced to-day that earnings in the first three quarters were satisfactory despite the lack of improvement in the building sector, an important customer.

Ruetgers has not benefited from the general upturn in demand to the same degree as the West German chemical majors. But its improved earnings record is a result of increased utilisation of capacity as well as its rationalisation programme and the introduction of new products.

Turnover in the first ten months of the year was up eight per cent. — from DM1.126bn. to DM1.22bn. (£306.5m.) — compared with the same period of 1975. Volume output went up by about the same amount. Hard competition, said the group, had prevented the passing on of rising costs in increased prices.

The basic chemicals sector was buoyed up by the upturn in demand from the chemical industry, itself, and it also benefited indirectly from the surge in motor car production.

There was average growth in the plastics manufacturing and processing sectors which had been particularly hard hit in the 1975 recession. With the building industry still in a state of stagnation, the construction materials and construction contracting sectors showed no real improvement.

Overseas business as a proportion of turnover stood at an unchanged 21 per cent., while the group's labour force during the period rose by one per cent. to 10,627. Investment in 1976 is expected to total DM71m. and the supervisory board has earmarked a further DM75m. for investment next year.

Nippon Electric plans to double sales

TOKYO, Dec. 5.

NIPPON ELECTRIC plans to double its gross sales from an estimated Y502bn. during the current fiscal year to March 31, 1977, to Y1,000bn. in the 1980 fiscal year, executive director Mr. Akira Koike has stated.

Under the projection, sales of communication equipment, such as microwave facilities, are to rise to Y375bn. from Y232bn. in the current fiscal year, of electronic equipment, such as computers to Y300bn. from Y117bn. of electronic parts, such as integrated circuits, to Y250bn. from Y107bn. and of electric appliances, such as colour television sets to Y75bn.

To fulfil the plans, the company will have to expand its sales by about 15 per cent. annually.

Money and Exchanges

Bank of England Minimum Lending Rate 14¾ per cent.
(since November 19, 1976)

Fixed period interest rates were fairly steady in the London money market last week, but rates for shorter periods tended to ease from the very high levels of the previous week, following a marked improvement in the supply of day-to-day credit.

The authorities underlined their recent positions on interest rates, making it quite clear that a fall n Bank of England Minimum Lending Rate would not be welcomed. Money was in short supply on Wednesday and the Bank of England took the opportunity to give a signal on interest rates to the market by lending a small amount to eight or nine discount houses at Minimum Lending Rate for a period of seven days. The same number of houses also received overnight loans of a moderate size on Wednesday, making a total of large assistance on that day.

Although funds were generally in short supply last week, the situation was a great improvement over the previous week. Moderate help was given on Monday by purchases of Treasury bills and local authority bills and the authorities gave large assistance on Tuesday by overnight loans to seven or eight houses. The help given on Thursday was large, by way of small lending to one or two houses and purchases of a moderate number of Treasury bills and local authority bills. On Friday credit was in good supply, however, and the authorities did not intervene.

At the weekly Treasury bill tender the average rate of discount fell by 0.0167 per cent. to 14.0175 per cent. and Minimum Lending Rate was unchanged at 14¾ per cent.

Sterling gained ground against the U.S. dollar and other major currencies. Trading was generally quiet, and the market remains rather nervous while the loan negotiations with the International Monetary Fund continue. There was general optimism that terms however and the pound also improved on indications that a successful solution will be found to the problem of the sterling balances.

The pound was unchanged in terms of the dollar on Monday, but gained 40 points on Tuesday. The Chancellor of the Exchequer's remarks in the House of Commons helped sterling to gain over 1 cent on Wednesday, and a further improvement of 15 points was seen on Thursday. Business remained quiet on Friday and sterling finished at $1.6625-$1.6635, a gain of 1.45 cents on the week.

Sterling's trade-weighted average depreciation since the Washington Currency Agreement, as calculated by the Bank of England, narrowed to 45.0 per cent. from 45.5 per cent.

The Canadian dollar remained very weak, pushing the U.S. dollar to a net appreciation against other major currencies for the first time since January 1973, according to Morgan Guaranty figures. The Canadian dollar fell to a worst point of 95.80 U.S. cents on Tuesday, and on the same day the dollar's trade-weighted change since the Washington Currency Agreement, improved to an appreciation of 0.35 per cent. from a depreciation of 0.18 per cent. A cut in Canadian Bank Rate had depressed the Canadian dollar, but the major decline followed the victory of the French separatist party in the Quebec Provincial elections, in the middle of last month.

Lower interest rates in the U.S tended to depress the U.S. dollar in the later part of the week, and its appreciation narrowed to 0.08 per cent. on Friday, but this was an improvement from the depreciation of 1.36 per cent. on the previous Friday. The Canadian dollar finished at 97.53¾ U.S. cents compared with 99.50½ U.S. cents at the end of the previous week.

Gold gained $¾ to $130¾-$131¼ in fairly quiet trading.

Dec. 3 1976	Sterling Certificates of deposits	Interbank	Local Authority deposit*	Local Auth. negotiable bonds	Finance House Deposit	Company deposits	Discount market deposits	Treasury bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	14-14¾	—	—	—	14½	14-14¾	—	—	—
2 days notice	—	—	14¾-14⅞	—	—	—	—	—	—	—
7 days or 7 days notice	—	14⅝-14¾	14⅞-15⅛	—	15¼-15½	14⅞	14½-14¾	—	—	—
One month	14⅛-14⅞	14⅝-14⅞	14⅞-14⅞	15½-14⅞	15⅝-15⅝	15	14¼-14½	13⅞-13⅝	14⅞-14¾	15½-15¼
Two months	14⅞-14⅞	14⅞-14⅞	—	15½-14¾	15⅝-15⅝	—	14-14¼	13⅞	14⅞-14⅞	15⅜-15¼
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	[illegible]	—	—	—	—	—	—	—

* Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 14¼ per cent.; four years 14½-14⅝ per cent.; five years 14⅞-15 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14¼ per cent.; four-month trade bills 15¼-15 per cent. Approximate selling rate for one-month Treasury bills [illegible] per cent.; two-month [illegible] per cent.; and three-month [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent.; two-month [illegible] per cent.; and three-month [illegible] per cent.; one-month trade bills [illegible] per cent.; two-month [illegible] per cent.; and also three-month [illegible] per cent.

Finance House Base Rates (published by the Finance Houses Association): 15 per cent. from December 1, 1976. Clearing Bank Deposit Rates for small sums at seven days' notice 11 per cent. Clearing Bank Base Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 14.0167 per cent.

OTHER MARKETS

	£		Note Rates
Argentina Peso	[illegible]	Argentina	[illegible]
Australia $	[illegible]	Austria	[illegible]
Brazil Cruzeiro	[illegible]	Belgium	[illegible]
Finland Markka	[illegible]	Brazil	[illegible]
Greek Drachma	[illegible]	Canada	[illegible]
Hong Kong $	[illegible]	Denmark	[illegible]
Iran Rial	[illegible]	France	[illegible]
Kuwait Dinar (KD)	[illegible]	Germany	[illegible]
Luxembourg Frc.	[illegible]	Greece	[illegible]
Malaysia $	[illegible]	Italy	[illegible]
New Zealand $	[illegible]	Japan	[illegible]
Saudi Arab. Riyal	[illegible]	Netherlands	[illegible]
Singapore $	[illegible]	Norway	[illegible]
S. African Rand	[illegible]	Portugal	[illegible]
U.S. cents	[illegible]	Spain	[illegible]
Canada	[illegible]	Switzerland	[illegible]
		United States	[illegible]
		Yugoslavia	[illegible]

* Rate given for Argentina is free rate.

FORWARD RATES

	One month	Three months
New York	1.60-1.50 c. pm	4.25-4.05 c. pm
Montreal	1.05-0.95 c. pm	[illegible]
Amst'dam	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
Cop'nhg'n	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]
Madrid	[illegible]	[illegible]
Milan	[illegible]	[illegible]
Oslo	[illegible]	[illegible]
Paris	[illegible]	[illegible]
Stockh'lm	[illegible]	[illegible]
Vienna	[illegible]	[illegible]
Zurich	[illegible]	[illegible]

Six-month forward dollar [illegible] pm and 12-month [illegible] pm.

GOLD MARKET

	Dec. 3	Dec. 2
Gold Bullion (a fine ounce)		
Close	$130½-131¼	$130¼-131¼
Opening	$130½-131¼	$130-131
Morning fix	$131.00	$131.15
Afternoon fix	$131.05 (£78.856)	$130.85 (£78.494)
Gold Coins, domestically		
Krugerrand	$134¼-136 (£81-81¾)	$133¾-135¾
New Sov'reigns	$47¼-48¼	$46¾-48¾
Old Sov'reigns	$45¼-47¼	$45¼-47¼
Gold Coins, internationally		
Krugerrand	$134¼-135¼	$133¼-135¼
New Sov'reigns	$46¼-47¼	$45¼-47¼
Old Sov'reigns	$42½-48½	$41¾-45¾
$20 Eagles	$218-220	$217-220

EURO-CURRENCY INTEREST RATES

Dec. 3 1976	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: two-day [illegible] per cent.; seven-day [illegible] per cent.; one-month [illegible] per cent.; three-month [illegible] per cent.; six-month [illegible] per cent.; one year [illegible] per cent.

Longer-term Eurodollar deposits: two years [illegible] per cent.; three years [illegible] per cent.; four years [illegible] per cent.; five years [illegible] per cent.

The following rates were quoted for London dollar certificates of deposit: one-month [illegible] per cent.; three-month [illegible] per cent.; six-month [illegible] per cent.; one year [illegible] per cent.

*Rates are nominal closing rates.

†Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. †Following 17.5 per cent. devaluation. "dis" Discount.

EXCHANGE CROSS-RATES

Dec. 3	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
Frankfurt	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N. York	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]
Am'rd'm	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

U.S. $ in Montreal: U.S. $=102.60-64 Canadian cents. Canadian $ in New York: [illegible] U.S. cents. U.S. $ in Milan [illegible]. Sterling in Milan [illegible].

FOREIGN EXCHANGES

Dec. 3 1976	Bank Rates %	Day's Spread	Close
New York	5¼	1.6580-1.6680	1.6625-1.6635
Montreal	9	[illegible]	1.7045-1.7050
Amsterdam	5	[illegible]	4.17-4.18
Brussels	9	[illegible]	61.15-61.25
Copenhagen	11	[illegible]	[illegible]
Frankfurt	3½	[illegible]	[illegible]
Lisbon	6½	[illegible]	[illegible]
Madrid	7	[illegible]	[illegible]
Milan	15	[illegible]	1,438-1,440
Oslo	6	[illegible]	[illegible]
Paris	10½	[illegible]	[illegible]
Stockholm	8	[illegible]	[illegible]
Tokyo	6½	[illegible]	[illegible]
Vienna	5½	[illegible]	[illegible]
Zurich	2	[illegible]	[illegible]

† Rates given are for convertible francs. Financial franc [illegible].

SDR RATES

	Dec. 3	Dec. 2
Sterling	0.691809	0.690049
U.S. dollar	1.15097	1.14997
Canadian dollar	[illegible]	[illegible]
Belgian franc	42.2954	42.3202
Deutschemark	2.76893	2.77408
French franc	5.74819	5.74338
Italian lira	995.301	994.691
Japanese yen	341.400	341.136
Dutch guilder	2.86660	2.86991
Swedish krona	4.82076	4.82062
Swiss franc	2.82377	2.82154

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

MINING NOTEBOOK

It could be buying time for Australian shares

BY LODESTAR

IT MAY HAVE been a dull week in the U.K. industrial markets but the same certainly cannot be said about Australian shares after that country's 17½ per cent. currency devaluation.

It led to a quick burst of optimism in Sydney and Melbourne contrasted with the inevitable mark down of the equivalent sterling quotations in London.

Then the down-under markets reacted taking London lower still and this included the shares of mining companies which stand to be main beneficiaries of the devaluation in an industry which has been actively crying out for just such a move.

What now? As a punster said to me on the phone from Melbourne, much depends on whether euphoria or against us.

If the devaluation and accompanying measures to check the resultant inflationary trend do mark a turning of the tide in the ebb and flow of overseas investment funds then it is reckoned there could well be a degree of euphoria next year.

Sydney and Melbourne investors and brokers have been running round like chickens with no heads, was one London comment with the accompanying assertion that it was patently ridiculous that virtually no impact at all had been made on the share prices of major Australian mineral producers in spite of a rush by analysts to predict sharply higher earnings next year even taking into account cost inflation and the present soggy world markets for copper, lead and zinc.

At least the London offices of Australian brokers were able to report at the end of the week that *Continental buying inquiries* were beginning to flow in quite strongly while there was evidence from down-under that institutions there were starting to take a serious look at new investment possibilities particularly in mining shares.

And, it was emphasised, if a resurgence of demand did come about, prices could be quickly responsive as there would be very little stock on offer.

Share choices

Opinion was fairly unanimous that the two shares to go for were the RTZ group's Hamersley Iron (220p) and Utah International's Utah Mining Australia (380p).

Earnings of the former it is estimated could jump from around 15 or 16 cents a share for the current year to over 30 cents (18.2p) next year.

UMA, which has a 10.8 per cent. stake in the big coal operations of Utah Development (Australia's biggest company profit earner), could lift its earnings from around 40 cents a share this year to over 60 cents (36.5p) next year.

London brokers Laing and Cruickshank rate UMA as Australia's "soundest mining proposition and should be included in all portfolios despite the rise in the share price."

Their argument is that the combination of devaluation, the prospect of the balance of the coal levy being abolished over the next three years and the outlook for sharply increased production suggests that the company is about to enter another major *growth phase in earnings.* They are looking for over 100 cents a share by 1980.

These conversations with various brokers inevitably came round to Pancontinental, lingering at 700p, little above their low of the year and comparing with £13¾ at the end of August when the switch into Randfontein was suggested here. The latter have since doubled in price.

Views about Pancontinental are still mixed, understandably in view of the environmental and trade union issues which are still confusing the Australian uranium scene.

At least there has been some relenting on the labour side in that 18 key unions are recommending to the Australian Council of Trade Unions that overseas contracts already entered into be honoured which is after all jolly decent of them.

I gather that an important meeting of ACTU is due to be held this week and that there could be an attempt by the leadership to swing the unions over to the adoption of a much more liberal attitude towards uranium mining generally.

After all they cannot be blind to the jobs involved and the boost to the country's balance of payments prosperity that exports from the Northern Territory's big uranium deposits would give.

Any softening of the trade union attitude could bring about a speculative upswing in Pancontinental despite the fact that the Government still patiently awaits the second tranche of the long drawn-out Fox environmental inquiry before even attempting to make up its mind about any go-ahead for uranium mining.

Even then there is no certainty that Pancontinental's Jabiluka deposit in which Getty Oil has a politically embarrassing 35 per cent. interest would be one of the first starters nominated.

If it were, of course, the shares could easily double in price long before the company was in a position to extract a single ounce of uranium from the ground, an intriguing situation for the bold.

In a humdrum opening batch of South African gold-mining dividends Randfontein stood out with a final of 100 cents making 200 cents (138p) for the year. The shares are £23¾.

On the subject of uranium generally, London brokers Henderson Crosthwaite have deemed it worth while to compile a 14-page analysis of the world outlook for the nuclear material covering Canada, the U.S., Australia and South Africa.

In the last-named field their share choices are Randfontein, Vaal Reefs and Buffelsfontein as offering "excellent uranium prospects." In Canada the selections are Denison followed by Rio Algom but the "outstanding non-premium investment for British residents is Rio Tinto-Zinc (145p)."

Northgate Exploration shares, the bid possibilities for which I was discussing last Monday, refuse to lie down. After dropping back to 340p they surged ahead to 440p in a sizeable New York and Toronto turnover and finished the week at 410p. There is no smoke without fire was the general feeling.

All that I can add at this stage is that on Friday the company still had no knowledge of any bid approach, but no doubt was preparing to defend its well-filled wallet should one come.

It's a crunch week for tin shares. The International Tin Council is meeting to consider revising the buffer stock manager's dealing prices. At $M1,265 a picul the Penang price keeps obstinately above the present $M1,200 "ceiling."

This is taken to portend that the high-cost Bolivian miners could win out in their attempt to get the dealing levels raised.

Pay for keep

Meanwhile, details given here last Monday of Malayan Tin and Southern Malayan's dredging lives have brought forth a comment that Gopeng is a producer with one of the longest prospective lives, maybe 17 years, in Malaysia.

Moreover, the share price at 225p has yet to reap the benefits of a transfer of domicile from the U.K. to Malaysia. No announcement to this effect has yet come from the company but it is expected in the market that such a move will take place some time next year.

In the meantime, the shares pay for their keep. The final dividend for 1975-76 is due next month. It should be well up.

The fifth IMF gold auction is due on Wednesday. On Friday gold was $131.125. In front of the October auction it was only $117.625. Meanwhile, for those who are interested in such signs and portents the latest International Harry Schultz Letter says "joy, joy, joy, gold is all systems go."

But don't get too excited, he calms down later on with a warning that we should not let our enthusiasm carry us away. "Overhead resistance" is heavy in the $138-$146 zone which "makes it a profit-taking area."

Schultz has also revived that other long talked about bombshell, namely that the Russians are going to make the rouble convertible into gold for non-residents! We shall see.

INSURANCE

Package cover for holidays

BY OUR INSURANCE CORRESPONDENT

FOR THE majority of Britons, membership of the Common Market has brought one small but often neglected advantage — the right to enjoy when abroad such medical and hospital insurance as other community members provide for their own nationals.

True there are certain formalities to be observed, before leaving the U.K. and usually before or at the time of getting the *appropriate service abroad:* but there is no upper financial limit to the medical and hospital expenses that can be incurred under the EEC scheme (though in France the claimant may have to contribute between 20 per cent. and 30 per cent. of the total cost depending on the particular service he requires).

Restrictions

Participation in the scheme is open to all employed persons and their dependents, wives and children, up to 18 years of age as well as to pensioners and widows who receive benefit under our own State National Insurance scheme. Unfortunately the EEC scheme is not available for either the self-employed or their dependents.

There are no age or health restrictions and no exclusions, so the employed Briton now contemplating a winter sports holiday in France, Germany or Italy is well advised to go to the DHSS to get leaflet SA28 and to find out how to get his European Certificate of Entitlement — form E111 — just in case he suffers illness or injury while on holiday.

Under the various travel and holiday policies sold throughout the British insurance market, insurers normally impose a number of restrictions and exclusions and fix an upper limit of their financial liability for hospital and medical treatment. This is the kind of cover the self-employed traveller within the EEC and everyone travelling outside the EEC is obliged to buy.

He must watch the restrictions and exclusions applibable to age and health — for an individually arranged insurance it is usual to find one or more age limits affecting the scope of the cover and the amount of insurers' liability, while in the great majority of policies, whether arranged individually or as part of the tour operators package deal, it is usual to find a fitness warranty or condition.

But many Britons go to Spain, and Spain is in a different category from other non-Common Market countries. For some while, visitors to Spain have been able to purchase medical protection from a Spanish Government backed consortium of insurers — ASTES — without any restriction as to age or health at the time of purchase or claim, and without any exclusion of injury for example from hazardous sporting activities. For these reasons the ASTES cover has distinct advantages for those who the British insurance market might designate as non-standard even sub-standard risks, but over the years this ASTES cover has been little publicised.

Now Cornhill Insurance, through its subsidiary Trafalgar, has reached an agreement with ASTES on the marketing in the U.K. of a special travel and medical scheme for Britons going to Spain and the Spanish islands. Trafalgar will provide a travel package of the kind now commonly offered, insuring cancellation, personal accident and medical expenses, baggage and money and personal liability, while ASTES will provide its established form of medical expenses cover together with certain personal accident benefits and baggage insurance: there is no overlap, the two parts of the insurance are complementary.

Spanish risk

In principle ASTES picks up *the in Spain risk, Trafalgar the* out of Spain risk, but at the same time Trafalgar provides the benefit of its policy in Spain for those risks that ASTES does not insure. So INSU-SPAIN as it is to be known, is clearly an insurance development which all travellers to Spain should know about.

On-the-spot claims handling is provided by means of vouchers included with the travel insurance policy, which vouchers are handed over to the doctor or hospital as the case may be when the occasion arises. Similar vouchers provide for local settlement of baggage claims.

The traveller is provided with a list of local ASTES representatives before he goes—there are 52 offices mostly in the obvious tourist zone.

Cost of cover varies according to duration of the visit but for example and eight-day package costs £3.20, and a 17-day package 14.00 per person.

INSURANCE BASE RATES

† Property Growth	14 %
Cannon Insurance	13 %

† Address shown under Insurance and Property Bond Table.

OVERSEAS MARKETS

EUROBONDS

BY TONY HAWKINS

A strong end to a record year

EUROBONDS are ending the year on a strong note with secondary market prices at new highs and heavy over-subscription of the most recent new issues. The Morgan Guaranty Eurobond statistics show that with one month's figures still to come, 1976 new issues at $13.1bn. are already more than 52 per cent. above the previous record of $8.6bn. established last year.

With a December Deutschemark calendar exceeding DM1bn. and with a few more dollar issues expected by the year-end, the final outcome will be of the order of $14bn.

What is more, issue managers expect this record level of new issues to be maintained—if not exceeded—during the first part of 1977, though with a new occupant in the White House and another rise in the price of oil no one is keen to look much more than six months ahead.

Certainly the fundamentals are very favourable. Eurodollar rates are at a four-year low, having fallen—in the case of the six-month rate—half a percentage point in the last four weeks and nearly two and a-half points in the past year.

The sharp fall in the U.S. money aggregates announced on Friday has fuelled speculation about a further easing of monetary policy in the U.S. The New York bond market moved strongly ahead last week in anticipation of a further monetary relaxation and the result has been a widening gap between the yields available in New York and those on Eurobonds.

The net effect is to make some Eurobonds look so underpriced that a further advance in secondary market prices would not come as any great surprise this week, despite the normal year-end clearing of positions by professional operators and *seasonal fall-off in client interest.*

The Bondtrade Index for medium-term paper at 101.73 was at a 1976 high on Friday, as was the long-term index at 93.44. Convertibles, however, are well below their best at 105.06 (1976 high: 108.00, recorded on September 23) reflecting the setback suffered by *equity markets in* recent months.

EUROBOND TURNOVER IN $M.

	Week ended Dec. 3	Week ended Nov. 26
Cedel	733.1	658.6
Euroclear	1,318.2	1,029.6

If there is a cloud on the secondary market horizon at present, it is the view of some professionals—though not at all of others—that there is a substantial overhang of long positions in bonds on the part of banks, who are considerably underlent as a result of the continuing economic pause.

Those who worry about this argue that as and when the interest-rate cycle turns and loan demand recovers, this overhang will come on to the market depressing prices and deterring new borrowers.

The conflicting view is that memories *are not so short* as to allow a repetition of the bad days of 1974. In between these extremes are those who believe both that the overhang does exist and that will find its way back into the secondary market, but probably not until 1978 and *possibly in a sufficiently orderly* manner to avoid a repetition of 1973/74.

New issues announced this week-end include the $60m. 15-year Norges Kommunalbank offer on an 8½ per cent. coupon, with an average life of 9½ years. West Deutsche Landesbank is lead manager. The company is certainly not new to the market with a 1964 issue and two 1972 issues quoted in the dollar sector as well as four Euromark issues.

A new dollar issue, managed by Deutsche Bank is expected *to be announced this week.* In the Swiss Franc sector, the latest borrower is Scandinavian Airways with an issue of Sw.Frs.80m. over 15 years on a 5½ per cent. coupon with UBS as lead manager.

In the DM sector the DM100m. issue for ICI International Finance of Bermuda (a wholly-owned ICI subsidiary) on an indicated 7½ per cent. coupon at par is expected to be well received. The average life will be about 9 years and the 7½ per cent. coupon compares favourably with the 8 per cent. paid by Beechams for a 7-year issue.

This is ICI's fifth Euromark borrowing, but none of the previous issues are strictly comparable, having — for the most part — longer maturities. However, the name and ICI's past record should ensure a successful issue.

The Banco Urquijo floating rate issue of $25m. was well subscribed despite the unpopularity of Spanish paper, which depressed the prices of Renfe, Banco Popular and Banco Vizcaya. The notes were priced at par.

The two other issues currently running in the dollar market—New Zealand Offshore Mining and Sandoz—are reported to have been oversubscribed. Indeed, demand for the rather complicated Sandoz package has been very good and it will be priced to-day.

The 7¼ per cent. New Zealand devaluation had no effect on *secondary market prices,* nor, apparently, on the Offshore Mining issue, already oversubscribed and due to be priced in midweek.

The weakness of Spanish, Mexican and Canadian paper was a feature of the dollar sector, reflecting a combination of *political* (Mexico), currency (Canada) and oversupply (Spain) situations. But Canadian dollar paper, which took a knock from the currency's fall, staged a good recovery to end the week unchanged or even a quarter of a point better.

Indices

NEW YORK -DOW JONES

	Dec. 3	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 26	1976 High	1976 Low	Since compilation High	Since compilation Low
Industrial	950.55	946.64	949.58	947.22	950.05	956.62	1014.79 (21/9)	858.71 (2/1)	1051.70 (11/1/73)	41.22 (8/7/32)
HomeB'nds*	91.32	91.09	90.89	90.57	90.39	90.55	91.32 (3/12)	85.88 (13/7)	—	—
Transport	225.55	226.28	227.20	226.12	226.57	226.26	231.27 (14/7)	175.64 (2/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.14	101.96	101.71	101.77	101.99	102.76	105.14 (3/12)	84.8 (26/5)	163.32 (20/4/65)	10.58 (28/4/42)
Trading vol 000's	22,640	25,500	21,980	17,030	18,750	18,000	—	—	—	—

* Basis of index changed from July 1.

Ind. div. yield %	Nov. 26	Nov. 22	Nov. 15	Year ago (approx.)
	4.26	4.24	4.36	4.49

STANDARDS AND POORS

	Dec. 3	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 26	1976 High	1976 Low	Since compilation High	Since compilation Low
* Industrials	114.23	113.82	114.15	113.77	114.16	115.02	120.89 (21/9)	101.64 (2/1)	134.64 (11/1/73)	3.52 (30/6/32)
†Composite	102.76	102.12	102.48	102.10	102.44	103.15	107.83 (21/9)	90.90 (2/1)	120.24 (11/1/73)	4.40 (1/6/32)

	Dec. 1	Nov. 24	Nov. 17	Year ago (approx)
Ind. div. yield %	3.78	3.77	3.84	3.84
Ind. P/E Ratio	11.13	11.54	11.35	12.09
Long Govt. Bond yield	5.28	5.33	5.36	6.08

N.Y.S.E. ALL COMMON.

Dec. 3	Dec. 2	Dec. 1	Nov. 30	1976 High	1976 Low
55.29	54.87	55.95	54.80	57.51 (21/9/76)	57.06 (2/1/76)

Rises and Falls Dec. 3

Issues Traded—1,920	Up—977	
Down—478	Same—465	
New Highs 111	New Lows 14	

MONTREAL	Dec. 3	Dec. 2	Dec. 1	Nov. 30	1976 High	1976 Low
Industrial	164.44	163.59	162.88	161.34	207.33 (19/5)	161.34 (30/11)
Combined	165.86	164.74	165.62	162.16	199.78 (20/6)	162.16 (30/11)
TORONTO Industrial	166.23	165.24	164.36	162.72	197.43 (20/3)	162.72 (30/11)
JOHANNESBURG Gold	171.8	172.0	171.7	170.9	226.7 (12/5)	115.5 [illegible]
Industrials	174.2	174.2	174.0	173.9	215.0 (21/5)	173.6 (30/11)

	Dec. 3	Previous	1976 High	1976 Low
Australia (a)	412.36	407.52	522.65 (19/8)	404.89 (26/11)
Belgium (b)	92.65	92.91	113.18 (5/2)	87.13 (25/10)
Denmark (d)	97.74	96.87	117.70 (19/8)	96.48 (1/12)
France (e)	53.4	52.0	74.5 (3/3)	51.5 (1/12)
Germany (f)	720.0	722.3	821.7 (17/5)	687.7 (29/10)
Holland (g)	81.9	81.8	106.3 (5/2)	77.9 (13/10)
Hongkong (h)	402.36	402.22	465.33 (17/3)	354.56 (2/1)
Italy (k)	73.57	72.01	81.37 (23/2)	64.93 (10/11)
Japan‡ (m)	348.82	345.56	368.61 (1/9)	326.28 (5/1)
Singapore (n)	245.72	245.02	286.16 (3/2)	236.36 (2/1)
Spain (p)	77.15	77.66	100.79 (7/5)	72.22 (11/11)
Sweden (q)	389.45	383.48	476.95 (10/5)	366.51 (5/11)
Switzerl'd (r)	268.8	269.1	298.6 (1/3)	265.2 (15/11)

Indices and base dates (all base values 100 except NYSE All Common—50, and Standards and Poors 10): (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 31/12/74. (q) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

AUSTRALIAN WEEKLY LIST

Australian $	Dec. 3	Nov. 26
Advertiser Newspaper	†1.58	†1.61
Ansett Transport	†0.98	†1.12
Aust. Securities	†0.40	†0.30
Aust. Guarantee	†1.25	†1.32
Aust. Paper M'nf'rg.	†1.17	†1.23
Boral	†1.75	‡1.85
Bramble Inds.	†1.35	‡1.50
Burns Philip	†2.00	†2.00
Carpenter (W.R.)	†1.12	†1.02
Castlemaine Perkins	†3.50	†3.58
Coal & Allied	‡1.70	‡1.65
Commercial Bank	2.60	†2.48
Commercial Union	‡0.45	†0.43
Commonw'lth Mining	†2.25	†2.10
Grace Bros.	†1.48	†1.65
Hardie Asbestos	†5.30	†5.30
Herald & Weekly	‡1.82	†1.99
Hooker	†0.65	†0.66
Kiwi Int.	0.98	†0.85
M.L.C.	2.40	†2.40
Mauri Bros.	0.61	†0.63
Mayne Nickless	1.40	†1.55
Nylex Corporation	0.28	†0.33
Olympic Cons.	0.48	†0.43
Overseas Corporation	—	†1.25
Petersville	0.68	†0.75
Queensland Cement	†1.29	†1.40
QBE	†1.09	†1.14
Rocla Industries	†0.65	†0.75
Swan Brewery	†1.25	†1.24
TV Corporation	†0.96	†0.90
Thiess	1.90	†1.90
Thomas Nat. Trans.	1.57	†1.50
Tooheys	0.97	†1.03
Travelodge	—	‡0.45
Woodside Burmah	†1.06	†1.04

† Buyer. ‡ Seller.

TEL AVIV STOCK EXCHANGE

Company	Prices Dec. 3 1976	Change on the week
Banking, Insurance and Finance		
Bank Leumi Le Israel	258.5	+4.5
I.D.B. Bankholding	70	−6.0
Bank Hapoalim Br.	318	+6.0
Union Bank of Israel Br.	262	−3.0
United Mizrahi Bank	182.5	+1.0
Hassneh Insurance Br.	330	−4.0
Wolfson Clore Mayer Br.	88.5	−0.5
General Mtge. Bank Br.	225	−24.0
Tefahot Israel Mort. Bank Br.	253	−12.0
Land Development		
Africa Israel Invest. I £10	442	—
Israel Land Devel. Br	—	—
Property and Building	270	+2.0
Mehadrin	—	−1.0
Public Utility		
Israel Electric Corp.	184.5	−0.5
Investment Companies		
Bank Leumi Invest	242	+2.5
Discount Bank Invest Br.	240	−15.0
"CLAL" Israel Invest	216	−4.0
"CLAL" Industries	166	+7.0
Commercial and Industrial		
Alliance Tire & Rubber	800	−10.0
Elco Br.	359	+14.0
Argaman Textile Br	270	−10.0
'Ata' Textile "B"	188	−5.0
Dubek Br	425	+18.0
Elec. Wire & Cable Br.	108	−7.0
Solel Boneh 10% Pref. Br.	219	+3.0
American Israeli Paper Mills	197	+1
Assis	175.5	−5.0
Taal Manuf. of Plywood Br.	162	+8.0
Elite	320	−9.0
Polygon	305	−2.0
Teva 'Reg'	1100	+47
Fuel and Oil		
Delek	218	+0.5

Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

Hong Kong $	Dec. 3	Nov. 26
Govt. Loan 1945	†85.00n	87.00n
Amalgamated Rubber	—	‡1.58
Bowaters	—	—
China Light & Power	17.90	17.60
City Hotels	†35.00	32.50
Cosmopolitan Properties	—	—
Cross Harbour Tunnel	†9.30xd	9.50
E. Asia Navigation	5.45	5.25
Hong Kong Aircraft	59.00	58.00
HongkongWhampoaDocks	9.90	9.50
Hong Kong Electric	4.70	4.625
[illegible]		

† Buyer. ‡ Seller. — Unquoted.

SINGAPORE STOCKS

Dec. 3	$	Dec. 3	$
Industrials		Straits Trad'g	—
Bovis	0.46	Temenggong	1.08
Boustead Co.	†1.52	Times Pub. Berhad	3.10
BousteadBhd	3.26	U. Engineers	1.64
Dunlop	2.85	U. O'v's. Bk.	3.22
Esso	1.87	Wearne	2.68
Fraser Neave	3.78	Tractor	3.08
Haw Par	1.01	Chemical	†4.00
Hume Ind.	1.57	Will'mJacks.	‡1.24
Inchcape	2.20	**Rubbers**	
Jardine	1.96	[illegible]	

† Buyer. ‡ Seller. — Unquoted.

CORAL INDEX Close 302-306

I.G. Index 01-351 3466 July/September Rubber 66.30-66.90

Investment premium based on $2.60 per £—118¾% (same).

OVERSEAS SHARE INFORMATION

NEW YORK

1976 High	1976 Low	Stock	Dec. 3
54¾	37¾	Abbot Labs.	47⅝
79¾	43⅝	Corning Glass	70¾
48½	40⅝	CPC Int'nation'l.	44⅞
39¾	24⅝	Crane	25⅝
27⅝	21⅝	Crocker Nat.	25⅞
35⅜	22½	Johns Manville	34⅝
96½	75⅝	Johnson Johnson	75⅝
26½	12⅝	Johnson Control.	26¼
50½	22⅝	Joy Manufactu'g	46
40⅛	27⅛	Republic Steel	30⅜
89¾	42½	Revlon	43½
42⅝	22⅛	Reynolds Metals	35⅞
68¼	55¼	Reynolds R. J.	65⅞
[illegible]			

CANADA

GERMANY

PARIS

AMSTERDAM

OSLO

BRAZIL

VIENNA

SPAIN

MILAN

TOKYO

BRUSSELS/LUXEMBOURG

SWITZERLAND

STOCKHOLM

COPENHAGEN

JOHANNESBURG

CANADIAN WEEKLY LIST

AUSTRALIA

Polish/W. German deal signed

By Guy Hawtin

FRANKFURT, Dec. [illegible]

THE POLISH government [illegible] consortium of West Ge[illegible] banks have signed a DM[illegible] (£125m.) credit agreement [illegible] loan, which will be placed [illegible] in the Euro-market and the [illegible] German internal market, [illegible] part of the package for [illegible] a massive DM2.5bn. (£625m.) gasification project in [illegible] Poland.

The coal gasification [illegible] comes under a co-operation [illegible] ment worked out in June [illegible] year between Polimex[illegible] Warsaw and Krupp-Kopper[illegible] Essen. A number of West [illegible] man concerns are participa[illegible]

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax. [illegible]

AUTHORISED UNIT TRUSTS

Framlington Unit Mgt. Ltd. (a)
5-7, Ireland Yard, EC4B 5BH. 01-248 6971

Capital Tst.	50.6	53.8	.....	4.69
Income Tst.	47.6	50.5xd	.....	9.29
Int. Growth Fd.	53.8	57.2	.....	4.02
Do. Accum.	53.8	57.2	.....	4.36

Friend's Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	24.4	26.0xd	+0.3	6.63
Do. Accum.	29.8	30.8	+0.3	6.63

REGIONAL MARKETS

A selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish Exchange.

						IRISH		
						Conv. 9% '80/82	£79	.....
...any Inv. 20p	16	.....	Higsons Brew.	62	.....	Alliance Gas	47	.....
...Spinning	34	.....	I.O.M. Stm. £1	134	.....	Arnott	196	.....
...tam	21	.....	Holt (Jos.) 25p	188	.....	Carroll (P.J.)	93	.....
...Wr Est. 50p	127	+3	Kleen-e-Ze	32	.....	Clondalkin	34	-1
...ver Croft	24	.....	Lovell's Ship £1	180	.....	Concrete Prods.	41	.....
...g & Rose £1	350	.....	N'thn. Goldsmith	21	.....	Heiton (Hldgs.)	29	.....
...on (R.A.)	20	.....	Pearce (C. H.)	85	.....	Ind. News	37	.....
...is & McHdy.	60	.....	Peel Mills	11	.....	Ins. Corp.	148	.....
...ns Fr'k 10p.	22	.....	RobbCaledon5h.	45	.....	Irish Distillers	38½	.....
...ered	8	.....	Sayers 12½p	35	.....	Irish Ropes	84	.....
...le Forge	49	.....	Sheffield Brick	73	.....	Jacob	40	.....
...lay Pkg. 5p	16	.....	Sheff. Refrshmt.	140	.....	Sunbeam	11	-1
...lg Ship. £1	300	.....	Shiloh Spinn.	20	-1	T.M.G.	70	.....
...lam Slaigh 10p	6	.....	Sindall (Wm.)	49	.....	Unidare	44	.....

FINANCIAL TIMES STOCK INDICES

	Dec. 3	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 26	A Year ago
Government Secs.	58.28	58.22	58.22	58.10	58.34	58.36	58.13
Fixed Interest	58.05	57.93	57.95	57.84	58.01	57.91	58.67
Industrial Ordinary	305.3	300.9	301.3	297.6	302.4	302.5	367.6
Gold Mines	132.5	132.5	132.1	131.6	128.9	132.7	240.1
Ord. Div. Yield	7.15	7.20	7.25	7.32	7.22	7.21	6.73
Earning Y'ld % (full)(a)	22.32	22.65	22.66	22.93	22.61	22.59	15.95
P/E Ratio (net) (a) (b)	6.56	6.49	6.46	6.38	6.47	6.48	9.12
Dealings marked	3,626	3,580	3,819	4,193	4,016	4,128	5,796
Equity turnover £m	—	35.15	36.27	45.11	39.58	43.41	48.85
Equity bargains total	—	8,171	9,605	9,051	9,027	10,272	12,767

10 a.m. 303.3. 11 a.m. 306.2. Noon 305.9. 1 p.m. 305.9. 2 p.m. 305.8. 3 p.m. 305.6.

Latest Index 01-246 8026.

(a) Based on 52 per cent. corporation tax. (b) Nil=6.49.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS — S.E. ACTIVITY

	1976 High	1976 Low	Since Compilation High	Since Compilation Low		Dec. 3	Dec. 2
					Daily—		
Govt. Secs.	65.21 (30/1)	55.88 (27/10)	127.4 (9/1/35)	49.18 (3/1/75)	Gilt-Edged	149.4	149.4
					Industrials	111.6	109.9
Fixed Int.	64.45 (2/2)	55.37 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)	Speculative	23.1	21.7
					Totals	82.5	80.3
					5-day Av'rge.		
Ind. Ord.	420.8 (4/5)	265.5 (27/10)	543.6 (19/5/72)	49.4 (26/6/40)	Gilt-Edged	162.0	164.2
					Industrials	119.5	122.0
Gold Mines	246.9 (2/1)	78.8 (25/8)	442.3 (22/5/75)	42.5 (26/10/71)	Speculative	24.9	26.0
					Totals	87.3	89.6

FT—ACTUARIES INDICES

	Dec. 3	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 26	A year ago
Industrial Group	121.84	120.19	120.22	118.16	120.54	120.61	146.96
500 Shares	143.41	141.40	141.20	139.41	141.97	142.01	161.67
Div. Yield pc	7.32	7.42	7.42	7.51	7.38	7.37	5.70
P/E Ratio (net)	7.75	7.64	7.65	7.53	7.66	7.68	9.34
All Shares	133.05	131.15	130.75	128.99	131.21	131.15	155.00
Red. Debs Yield pc	15.07	15.06	15.06	15.16	15.04	15.02	14.96

BASE LENDING RATES

Allied Irish Banks Ltd.	14 %	■ Hambros Bank	14 %
American Express Bank	14 %	■ Hill Samuel	§14 %
Anglo-Portuguese Bank	14 %	C. Hoare & Co.	†14 %
Henry Ansbacher	14½%	Julian S. Hodge	15 %
Banco de Bilbao	14 %	Hongkong & Shanghai	14 %
Bank of Credit & Cmce.	14 %	Industrial Bank of Scot.	14 %
Bank of Cyprus	14 %	Keyser Ullmann	14 %
Bank of N.S.W.	14 %	Knowsley & Co. Ltd.	15½%
Banque du Rhone S.A.	14½%	Lloyds Bank	14 %
Barclays Bank	14 %	London & European	14½%
Barnett Christie Ltd.	15 %	London Mercantile	14 %
Bear Securities Ltd.	14½%	Midland Bank	14 %
Bremar Holdings Ltd.	14 %	■ Samuel Montagu	14 %
Brit. Bank of Mid. East	14 %	■ Morgan Grenfell	14 %
Brown Shipley	14½%	National Westminster	14 %
Canada Permanent AFI	14 %	Norwich General Trust	14 %
Capitol C & C Fin. Ltd.	14 %	P. S. Refson & Co.	14 %
Cayzer Bowater Co. Ltd.	14 %	Rossminster Accept'cs.	14 %
Cedar Holdings	14 %	Royal Bk. Canada Trust	14 %
Charterhouse Japhet	14 %	Schlesinger Limited	14 %
C. E. Coates	15 %	E. S. Schwab	15 %
Consolidated Credits	14 %	Security Trust Co. Ltd.	15 %
Co-operative Bank	*14 %	Shenley Trust	16 %
Corinthian Securities	14 %	Standard Chartered	14 %
Credit Lyonnais	14 %	Trade Development Bk.	14 %
G. R. Dawes	15 %	Twentieth Century Bk.	15 %
Duncan Lawrie	14 %	United Bank of Kuwait	14 %
Eagil Trust	14 %	Whiteaway Laidlaw	14½%
English Transcont.	14 %	Williams & Glyn's	14 %
First London Secs.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	16 %		
First Nat. Secs. Ltd.	16 %		
Goode Durrant Trust	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
Guinness Mahon	14 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 11%, 1-month deposits 11½%.

† 7-day deposits on sums of £10,000 and under 11%, up to £25,000 11½% and over £25,000 11¾%.

§ Demand deposits 12%.

‡ Call deposits over £1,000 11%.

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

Warburg Invest. Mngt. Jrsy. Ltd.
1 Charing Cross, St. Helier, Jsy. C.I. 0534 29041

CMF Ltd. Nov. 25	SUS9.85	9.95	.....	—
CMT Ltd. Nov. 25	£9.22	9.46	.....	—
Metals Tst. Nov. 18	£12.27	12.57	.....	—
TMT Nov. 11	SUS9.96	10.22	.....	—
TMT Ltd. Nov. 11	£10.10	10.36	.....	—

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg.

WorldWideGth.Fd.	SUS11.33	-0.01	—

NOTES

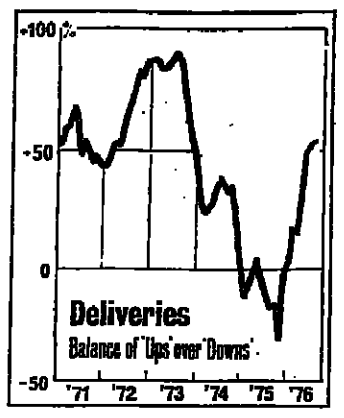
Prices do not include $ premium, where applicable, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥Net of tax on realised capital gains unless indicated by ◊. ¶Guernsey yield. #Suspended. †Single premium insurance bonds. ♦Yield before Jersey tax.

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Confidence takes a knock

BUSINESS confidence took another knock last month as fears grew for the strength of the economic recovery. The latest survey covered building and construction and two consumer goods sectors—food and tobacco, and textiles and clothing. In these sectors, there are now clear signs of a slackening or even a decline in the pace of activity, as well as growing pessimism about the likely trend of costs and profitability next year. For the third month running businessmen's confidence about their own corporate prospects has declined.



The one bright spot remains export prospects. There may be doubts about the pace and likely duration of the world economic recovery but U.K. exporters still remain remarkably optimistic about the chances of increasing their sales abroad. One noticeable feature of the latest survey is the increase in the number of companies which previously have regarded exports as a fringe or "topping up" activity and which now say they are concentrating on overseas markets far more seriously.

Exports hopes have not prevented companies from scaling back their forward manpower and investment plans, however. All three sectors interviewed last month were now expecting to operate with a smaller labour force next year, and all three were expecting to invest less than they had previously planned. Most companies in these sectors were also planning to cut back on stocks.

GENERAL BUSINESS SITUATION

4 monthly moving total — November 1976

Are you more or less optimistic about your company's prospects than you were four months ago?	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
More optimistic	29	24	35	35	—	42	10
Neutral	37	54	55	58	16	8	76
Less optimistic	34	22	10	7	84	50	14

EXPORT PROSPECT (Weighted by exports)

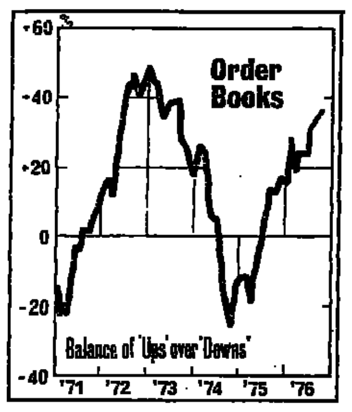
4 monthly moving total — November 1976

Over the 12 months exports will be:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Higher	87	86	83	82	100	75	86
Same	6	8	11	12	—	—	14
Lower	7	6	6	6	—	25	—

ORDERS AND OUTPUT

Slower rate of increase

THE RISING TREND of orders and deliveries was checked last month, chiefly because of reduced activity in building and construction, especially among the smaller companies. The main reasons were the public spending cuts and higher interest rates — plus, in some instances, the weather.



In the food and tobacco sector, sales of basic foods were holding up but on other items shoppers were trading down as prices rose. In textiles, carpets and certain other textiles were said to be going well with customers buying in anticipation of further price increases. But in the clothing sector export markets were said to have become the principal source of increased demand—and even there greater competition was now being experienced.

Nevertheless, the overall picture now points to a noticeable easing in the pace of recovery. The upward trends in orders and deliveries and in forecasts of future rates of purchases (the next four months) and future production/turnover (the next 12 months) have all eased back in recent months.

NEW ORDERS

4 monthly moving total — November 1976

The trend of new orders in the last four months is:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Up	57	56	53	46	7	66	12
Same	26	26	25	31	11	17	81
Down	10	6	10	15	56	17	7
No answer	7	12	12	8	26	—	—

PRODUCTION/SALES TURNOVER

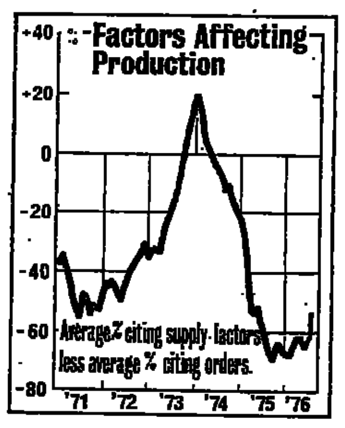
4 monthly moving total — November 1976

Those expecting production/sales turnover in the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Rise over 20%	2	1	3	5	—	8	—
Rise 15-19%	10	7	3	1	—	17	—
Rise 10-14%	11	13	11	11	—	4	72
Rise 5-9%	21	21	25	26	48	4	7
About the same	49	49	44	46	15	67	21
Fall	1	3	3	3	16	—	—
No comments	6	6	11	8	21	—	—

CAPACITY AND STOCKS

Plans to cut back

FURTHER evidence of the limited, and possibly faltering, nature of the recovery can be seen in the latest indicators of capacity utilisation and stocks. The average rate of capacity working in the textiles and clothing sector remains well below planned output levels while the average for the all-industry sample has shown little change for some months.



As for stocks, all three sectors interviewed for the latest survey are now more inclined than four months ago to expect their stocks of materials and finished goods and their work in progress to decline. Even more marked, was the increase in the number of companies in these sectors who felt that their present stock/output ratios were too high.

Over half the food/tobacco companies, three-fifths of the builders, and virtually all textile and clothing companies took this view last month. As a result, the proportion of the all-industry sample saying that stocks are too high for current sales levels has now risen to 39 per cent., the fifth such increase in this possible key indicator in the past six months.

STOCKS

4 monthly moving total — November 1976

Raw materials and components over the next 12 months will:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase	29	37	38	38	21	25	—
Stay about the same	40	44	42	45	16	41	14
Decrease	29	16	13	10	58	34	86
No comment	2	3	7	7	5	—	—
Manufactured goods over the next 12 months will:							
Increase	22	28	30	25	34	17	10
Stay about the same	50	49	44	45	8	66	12
Decrease	13	7	6	9	32	17	78
No comment	15	16	20	21	26	—	—

CAPACITY WORKING

4 monthly moving total — November 1976

	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Above target capacity	16	17	16	18	—	17	17
Planned output	51	49	49	46	77	50	2
Below target capacity	32	32	30	32	18	33	81
No answer	1	2	5	4	5	—	—

FACTORS CURRENTLY AFFECTING PRODUCTION

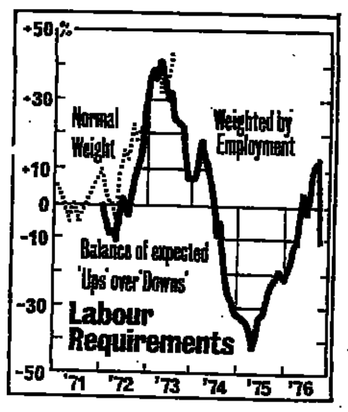
4 monthly moving total — November 1976

	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Home orders	81	89	92	91	98	58	93
Export orders	45	48	50	42	63	8	78
Executive staff	4	2	2	4	21	—	—
Skilled factory staff	24	16	8	5	26	17	76
Manual Labour	4	3	3	3	11	—	—
Components	11	8	4	4	—	17	7
Raw materials	19	12	8	7	—	33	19
Production capacity (plant)	7	6	9	8	21	—	—
Finance	—	—	1	1	—	—	7
Others	6	6	7	5	2	—	—
Labour disputes	8	5	8	6	28	—	—
No answer/no factor	11	5	4	5	—	25	7

INVESTMENT AND LABOUR

A time for second thoughts

THE GROWING doubts about the strength of the economic recovery have already started to reverberate back on industry's manpower and investment plans. All three sectors re-interviewed last month were much more inclined than in July to expect their labour forces to be smaller in 12 months' time. As a result, the "downs" in the latest all-industry sample once again outweigh the "ups"—hardly an encouraging augury for the underlying trend of unemployment next year.



All three sectors were also noticeably less inclined than in July to predict a higher level of capital spending during the coming 12 months. Furthermore, they were all more inclined to say that their present liquidity was too low.

One interesting sidelight thrown up by the latest interviews was that the building/construction and textile/clothing sectors both thought that they would need to take on an average of about 5 per cent. more manpower to operate on a full capacity basis, while the food/tobacco sector on average reckoned that full capacity working would have little effect on employment.

LABOUR REQUIREMENTS (Weighted by employment)

4 monthly moving total — November 1976

Those expecting their labour force over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase	23	32	28	21	16	2	—
Stay about the same	43	49	54	56	15	61	12
Decrease	34	19	18	23	69	37	88

CAPITAL INVESTMENT (Weighted by capital expenditure)

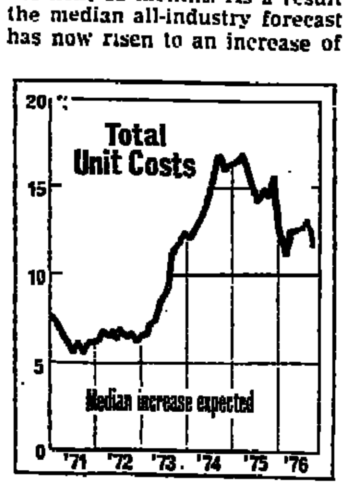
4 monthly moving total — November 1976

Those expecting capital expenditure over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Increase in volume	39	46	45	43	27	70	—
Increase in value but not in volume	24	25	11	9	12	3	4
Stay about the same	15	11	23	24	6	8	60
Decrease	21	17	18	22	55	19	36
No comment	1	1	3	2	—	—	—

COSTS AND PROFIT MARGINS

Worries about wage trends

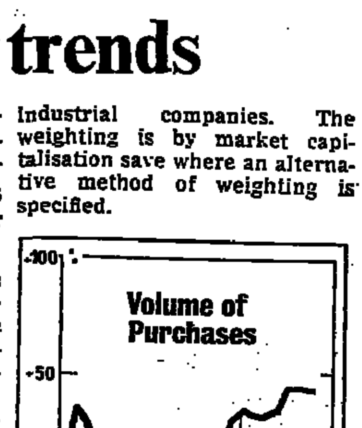
JUDGING by the views expressed last month, industry is now taking a somewhat gloomier view of costs and profit trends. All three sectors have raised their estimates of the likely trend of wage costs over the next 12 months. As a result the median all-industry forecast has now risen to an increase of about 8 per cent. On total unit costs, the upward adjustment was more muted, save among food companies, and the same pattern was evident for forecasts of output prices. The all-industry forecast increase for both total costs and prices is now hovering around the 12 per cent. mark.



Forecasts of profitability—in terms of both margins and earnings on capital employed—have also been marked down, particularly in the building/construction and food/tobacco sectors. In face of the prospect of stagnant or falling sales, many companies thought it would become even more difficult to pass on cost increases in full.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three industries and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries Index, which accounts for about 60 per cent. of the turnover of all public industrial companies. The weighting is by market capitalisation save where an alternative method of weighting is specified.



The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates Ltd.

COSTS

4 monthly moving total — November 1976

Wages rise by:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
0-4%	8	22	22	22	5	—	—
5-9%	59	46	42	43	59	71	10
10-14%	18	12	16	17	7	25	17
15-19%	9	14	11	10	—	—	71
No answer	6	6	9	8	29	4	2
Unit costs rise by:							
0-4%	5	1	1	1	—	17	—
5-9%	15	15	8	16	10	4	79
10-14%	52	61	61	49	68	17	12
15-19%	14	9	14	19	1	50	2
20-24%	4	1	4	6	11	12	7
25% plus	—	—	—	—	5	—	—
Decrease	—	—	—	2	—	—	—
No answer	10	13	12	7	5	—	—

PROFIT MARGINS

4 monthly moving total — November 1976

Those expecting profit margins over the next 12 months to:	Aug.-Nov. %	July-Oct. %	June-Sept. %	May-Aug. %	Construction & Bldg. %	Food & Tobacco %	Textiles & Clothing %
Improve	39	44	43	44	—	17	72
Remain the same	35	46	45	45	58	21	21
Contract	25	9	8	9	42	62	7
No comment	1	1	4	2	—	—	—

FINANCIAL TIMES SURVEY
Monday, December 6 1976

Meat and Poultry

Britain's housewives have been taking a long and searching look at meat prices of all kinds in the shops. As a result there have been major adjustments in the domestic budget, most of which have led to a generally depressing prospect for farmers and processors.

Rising prices cut deep

By PETER BULLEN

LAST MONTH more than 100 representatives of all sections of Britain's meat industry met to discuss the future of meat promotion. They were told that with supplies dwindling, prices at record high levels and demand down in consequence the industry was facing a difficult time ahead.

In a nutshell this sums up the dilemma of Britain's meat industry over the past year. During a year when everyone has suffered from the effects of rising prices while incomes have been pegged, the steep rise in meat prices has meant that many families have decided to economise by cutting down on meat purchases.

Switch

There has been a considerable switch from the more expensive cuts of beef, for instance, to the cheaper forequarter meat—a move which the trade has been urging customers to make for many years—with the inevitable result that the prices of the cheaper cuts have risen. Sales of meat pies, sausages and canned meats have also benefited, but the meat manufacturers have experienced serious difficulties of supplies and competition from other EEC countries, compounded by Green pound exchange rate anomalies.

Leading the field, as always, was the beef market, which sets the tone for the whole of the meat industry. With a 15 per cent. drop in home-produced beef supplies in the present quarter, the total for the whole of 1976 is expected to be little more than 1m. tons compared with 1.2m. last year, and next year the figure is likely to be down to only 900,000 tons.

On the consumption side of the equation the total beef and veal consumed during 1976 is expected to be down to about 46 lb. per head or 9 lb. below last year's high figure. In terms of consumer expenditure the proportion of money spent on meat in the weekly food bill of of the nation is expected to drop below 27 per cent. for the first time in 13 years.

The estimates of production, consumption and expenditure were made by the Meat and Livestock Commission back in September. Since then the beef market has been through an even more dramatic period, when prices shot up to record high levels. In October the price of beef was running at almost 70 per cent. higher than in October last year, which puts some of the more expensive cuts of beef above the £2 a lb. level, with proportionate increases in the prices of other beef cuts and of lamb and, to a lesser extent, pork.

Aggravating the supply situation this year has been the virtual halving of store cattle imports which would have been fattened for the U.K. meat market, while exports of British beef and lamb have been buoyant. On the longer term there is likely to be an appreciable loss of beef from the domestic market in 1978 and later, caused by the huge rise in bull calf exports from Britain which have risen from about 100,000 in 1975 to 250,000 this year.

This international trade in meat and animals plus, to a lesser extent, the EEC aid scheme for private storage of beef and a little selling of U.K. beef into intervention in the spring upset butchers, who take no delight in selling less meat at higher prices to their customers. But what has upset them—and the meat manufacturers even more has been the continuation of the Common Market's virtual ban on imports of beef from third countries.

The ban has deprived them of plentiful supplies of reasonably priced meat and the absence of the supplies from the Community market has increased the pressure on, and the prices of, all types of meat they argue. Despite the gloomy prophesies of a few years ago, supplies of meat on the world market are ample at present, with producers in North America and Australia facing particularly lean times with depressed demand and prices.

Following repeated representations from the trade the U.K. Government accepted the need for strong representations to be made in Brusssels to bring some easing of the EEC import ban. The result came last week when the EEC Commission announced that from the end of March 1977, the ban will be lifted. It will be replaced by another beef import regime yet to be decided which should allow small, but welcome, imports of beef into the Community.

Decline

Unfortunately Britain's traders may not be in such a good competitive position to obtain supplies of third country meat if it does have to come in as expected, over a high tariff wall, because of the decline in sterling. Stronger bidders from countries such as Germany stand a better chance of attracting the supplies, but any imports will obviously help to ease the overall Community supply position eventually.

Against this background of falling cattle numbers and declining meat consumption, the still relatively new Meat Promotions Executive will have its work cut out in the year ahead. If it is to be at all effective in preventing people from getting out of the meat eating habit it will have to promote meat even more energetically, although a fall in animal slaughtering inevitably means a drop in its income, which is based on a levy on slaughtered animals.

It has therefore put up two schemes involving either a 50 or a 75 per cent. increase in the levy. Not surprisingly it would prefer the industry to choose the later, which would bring its budget up to £2½m. for the 1977-1978 campaign year and would give it the confidence to launch promotion and meat education schemes next year, which it feels are vital to the industry's marketing effort.

The 100 delegates to last month's meeting are now reporting back to their various producer, trade and consumer bodies to see how they react to the suggestions. If the producers and trade are willing to see the 75 per cent. rise in the MPE's budget, which would lift the levy on cattle from 20p to 30p a head, from 4p to 7p on pigs and from 1½p to 4½p on lambs, the MPE may get a go ahead in the new year. Consumers will have to pay for the extra cost eventually as the increase is carried on down the line to the retail end. But with retail sales worth £3½bn. a year the total levy of £2.5m. is equal to well under a 1p in every £1 spent on meat.

While beef and lamb supplies have fallen this year the fall in pork has not been so marked and the firmer carcase meat market has enabled poultry meat producers to expand output without any great fall in prices. The firmer trade in poultry meat, combined with no small measure of success in negotiations with the Government over the introduction of hygiene regulations for the industry, has put the poultry industry into good heart to face the new year in spite of the ever-climbing costs of feed, which make up a large proportion of its costs.

Poultry slaughterhouses and processing plants will not be the only ones to be improved over the next year or two, however. Last month the Government announced it was providing £20m. in grants to improve the country's red meat slaughterhouses under Section 8 of the Industry Act, 1972.

Overdue

Improvements to Britain's 1,600 slaughterhouses, which are currently handling meat worth £1.4bn. at farm gate prices, are overdue in the Ministry of Agriculture's view and the £20m. pump-priming aid was designed to prompt the industry into investing the £100m. or so needed to raise hygiene standards and to modernise the abattoirs.

Only 80 of the 1,600 measure up to the EEC's high standards, which have to be met to enable abattoirs to handle meat for intra-Community trade. The others, many of which are already perfectly adequate for domestic trade, include a lot of small, out-dated plants.

The industry itself expects the introduction of new hygiene regulations by the Government next year to lead to the closure of some 400 abattoirs over the following year or so—a considerable speeding up in the natural rate of rationalisation, which led to an annual reduction of around 80 slaughterhouses a year between 1968 and 1974.

It was because the industry put up such a well argued case for Government aid to spur the necessary investment in modernising the plants that the Government decided to make the grant aid available over the next two years despite the current financial difficulties facing the country.

The 15-20 per cent. grants for improvements will help bring more abbatoirs up to the EEC standard and ensure that others can provide larage for animals facilities for lorry washes, detention rooms for suspect carcases, and ample refrigerated storage space.

Equipment to ensure carcases are not skinned on the floor will have to be installed and the grants will help abbatoirs meet stricter effluent control regulations and to instal equipment to make use of new techniques for cutting, storing and packing meat and for making better use of by-products, the proper disposal of which can make all the difference between a profitable and loss-making abattoir enterprise.

MEAT AND POULTRY II

Good year for beef and lam

IN A year which has seen the worst drought for centuries in Britain and much of Europe it is only to be expected that some unusual things would happen on the agricultural scene. As far as the beef and lamb market is concerned unusual happenings is almost an understatement.

A big drop in the size of the U.K. national beef herd, a fall in store cattle imports and a rise in exports of animals and meat from Britain have all contributed to a much firmer market.

But this firmer trade did not prevent the first consignments of U.K. beef from being sold into EEC intervention stocks for a time in the spring. When the trade built up suddenly from a few odd tons a week to well over 1,000 tons weekly in April the Government even had to step in to limit the selling into intervention by banning about 40 per cent. of the eligible cattle likely to be offered.

The sudden upsurge in selling into the EEC stockpiles followed increases in Common Market beef prices agreed earlier which made intervention more attractive at a time when the high market prices had caused a slump in demand leading to an easing in prices for live cattle to near the £26 a cwt mark.

Shrivelled

Prices began their seasonal climb in mid-May but then came the long, hot summer which shrivelled pastures and forced livestock farmers into feeding expensive winter rations to cattle and sheep standing under a blazing sun.

The hot weather not surprisingly depressed demand for red meat by consumers even further but prices remained firmer than would normally have been expected.

Eventually the drought broke and the colder, wet weather brought a spurt in demand. As this coincided with low stocks in butchers' stores which they had been reluctant to fill during the previous hot weeks beef cattle prices rose sharply and prices in the shops jumped by an average 5p or 6p a lb.

Then, at a time when the industry was expecting the usual seasonal easing in prices the continuation in the demand for red meat and the reduced quantities available sent prices rocketing. Early in October the average fatstock price soared to a record £31 a live cwt, £7 to £8 a cwt more than at the corresponding time last year.

In the lamb markets the same movement was taking place, with the U.K. average price reaching a peak of about 55p a lb dressed carcase weight—a jump of about 5p in a week and almost 20p a lb higher than the equivalent 1975 figure.

Since then there has been some reaction from consumers against the high prices, but for beef future supply prospects are not encouraging. Total home production of beef will fall from last year's 1.2m. tons to 1.05m. this year and in 1977 the Meat and Livestock Commission forecasts a drop to 900,000 tons and the following year to only 880,000 tons because of the continued decline in the national beef breeding herd. Because of the long breeding and rearing cycle of beef animals even the attraction of the present high prices will do little to bring any extra quantities of home produced meat forward until late 1978.

And the present strong demand for British bull calves from overseas buyers, which will result in a flood of some 250,000 leaving the country this year, means a further drain on the country's resources for home-produced beef in future years as well as raising beef producers' costs for their raw material dangerously high.

Lambing rates were a record this spring following the mild winter but overall sheepmeat output is forecast to be down on the 1975 figure and next year output could drop slightly again to about 240,000 tons. But as the MLC has pointed out this is still substantially higher than the 1971-74 average.

New Zealand supplies are the other major factor in the U.K. lamb market making up as they do more than 45 per cent. of the total. Prices for New Zealand lamb have been high this year and promise to be just as firm in 1977 but the fall in the value of sterling has limited the returns to New Zealand farmers.

The 18-day labour dispute in New Zealand freezer depots last month, bringing export supplies of lamb to a halt, could well cause short-term disruptions in the flow of imports leading to even higher prices for a while. But over the marketing year as a whole the New Zealand Meat Board expects to send more than the 204,000 tonnes it shipped to the U.K. in the 12 months to the end of September last.

Painful

What is causing major concern to NZ producers and to a lesser extent sheep farmers in Britain, Ireland and France is the future of sheep marketing under the Common Market's new sheepmeat regime which is in the final, painful stages of formation.

Since early autumn there have been high hopes raised in the Community that an interim common sheepmeat policy would be agreed which would last at least until the end of 1977. For their own reasons France and Britain would be quite happy to see the interim arrangements continued indefinitely, but Ireland is unlikely to agree.

Ireland is also maintaining a stand on the EEC Commission's proposals of compensatory charges on Irish and U.K. lamb exports to France which would maintain for the time being the present differential of about 50 per cent. in producer prices. While Ireland wants a lower charge to ensure its transport costs do not place its lamb exports to France at a disadvantage to those from Britain, France is concerned that the charges envisaged now are not high enough to protect its market.

At present France protects its market by simply shutting the door to imports when prices on its Paris market drop to a certain level; this is scarcely in line with the spirit of intra-Community trading.

Britain, too, still retains its own traditional support of the U.K. lamb market by guaranteed prices backed if necessary by deficiency payments, but the U.K.'s main stand has been on another issue: the suggestion of a safeguard clause being part of the arrangement which would enable third-country lamb imports to be banned from the EEC at times of exceptionally depressed market conditions.

Britain sees this as a possible threat to its large imports from New Zealand. As New Zealand still relies on the U.K. to take 70 per cent. of its lamb exports, any suggestion of a ban would be serious indeed, although the EEC Commission claims the clause is purely insurance against sudden influxes of supplies from other countries and would never be used against New Zealand.

Recently other more pressing problems such as dealing with the long-term dairy surplus, "Green Pound" issues and liberalising the beef import regime have taken preced over the sheepmeat questi the Community. U.K. producers will be happy to the talks started again and cessfully concluded, however, that the sudden shutting of profitable French market their lamb exports—happened again only last w —can no longer happen.

Peter Bull

U.K. LIVESTOCK

('000 head)	June 1975	Dec. 1975	June 1976††	% June
CATTLE				
Cows and heifers in milk:				
Dairy herd†	2,903	2,574	2,917	
Beef herd‡	1,605	823	1,489	
Cows in calf but not in milk:				
Dairy herd†	339	668	320	
Beef herd‡	294	997	275	
Total of above	(5,150)	(5,064)	(5,001)	
Heifers in calf (first calf):				
Dairy herd†	664	502	888	
Beef herd‡	239	252	217	
Bulls for service§	97	93	92	
Others:				
2 years and over	987	1,029	969	
1 year to 2 years	3,560	3,309	3,276	
6 months to 1 year	2,063	2,170	1,802	
Under 6 months	1,968	1,328	1,967	
Total*	14,717	13,915	14,012	
SHEEP				
Ewes for breeding¶	13,732	12,746	13,603	
Rams for service	326	344	318	
Other sheep 1 year and over	971	731	819	
Sheep and lambs under 1 year:				
Ewe lambs retained for breeding	‖	2,365	..	
Others under 1 year	13,222	3,349	13,446	
Total*	28,269	19,536	28,185	
PIGS				
Sows in pig	485	496	508	+
Gilts in pig	104	122	411	+
Other sows for breeding	225	226	234	+
Total breeding sows*	(814)	(845)	(884)	+
Boars for service	40	41	43	+
Gilts over 110 lbs, but not yet in pig	87	102	103	+1
Others:				
240 lbs and over**	93	101	127	+3
175 lbs and under 240 lbs	611	628	711	+1
110 lbs and under 175 lbs	1,697	1,766	1,767	+
45 lbs and under 110 lbs.	2,258	2,281	2,273	+
Under 45 lbs	1,935	1,905	2,025	+
Total*	7,531	7,668	7,933	+

* Because of individual rounding figures do not necessarily add up to totals shown. † Inte mainly for producing milk or rearing calves for the dairy herd. ‡ Intended mainly for rea calves for beef. § Including bull calves being reared for service. ¶ Including shearing e ‖ Not separately recorded in June. ** Including barren sows for fattening. †† Provision

Source: MAFF.

Campaign for chicken

PLANS FOR the biggest ever promotional campaign for "Champ Chicken" in 1977, announced last week, illustrate the new spirit of optimism in the poultry industry. It has been decided to adopt a much more aggressive approach in seizing what chicken producers see as a golden opportunity next year to enlarge their share of the British meat market.

The intention is to take full advantage of the expected gap in red meat supplies to boost chicken sales next year to 340m. birds—some 15m. more than the predicted 1976 total.

Already considerable progress has been made this year in restoring the industry back to the 1973 level when 330m. birds were sold, only to be followed by the "disastrous" experience in 1974 when sales dropped back to 315m. and heavy losses were suffered throughout the industry. Those companies which survived the 1974 holocaust have adopted a cautious approach subsequently in order not to be caught in the over-production trap again and in 1975 chicken sales slumped to 302m. birds as producers cut back output more into line with demand.

But the trials and tribulations suffered by other competitive meats have enabled poultry producers to recover lost sales. At the same time useful export markets have been opened up in the Middle East and West Africa, which took some 15m. birds this year.

Lighter

Although the birds exported tend to be of a lighter weight than the British market prefers, the potential for expanding overseas sales is a good safety valve if predictions about progress in the U.K. market go awry.

However, chicken producers are confident that there will be room for considerable expansion in the domestic market next year, since it is predicted poultry prices will be under much less pressure than the various other influences pushing up red meat priecs.

This year it is claimed chicken prices have risen by far less than other meats, notably beef. It is also claimed on the basis of consumer survey that the number of households buying chicken for Sunday lunch has outstripped the traditional choice of beef and lamb.

The latest National Food Survey shows that per capita consumption of beef and veal in the first quarter of 1976 at 8.20 ounces per week was still well ahead of poultry and cooked chicken at 5.43 ounces.

But poultry consumption was well up on the first quarter of 1975, when it was 5.22 oz per head, while beef was well down, and poultry remains ahead of mutton, lamb and pork sales.

Undoubtedly a major influence in poultry's expansion has been the restrained rise in chicken prices in comparison with other meats. Views vary on exactly how much chicken has risen in price during the past year, but there is general agreement that they have risen much less than red meats and much less than the increase in production costs, inflated by the decline in the value of sterling affecting the price of the main imported ingredient used, maize.

Wryly

It was noted wryly recently that while the end of the controversial EEC scheme for incorporation of surplus skimmed milk powder into animal feeds had brought a drop of £2 a ton in compound charges, this was very soon offset by a rise of £4 due to other factors.

But in the euphoria surrounding the hoped-for expansion it might be as well to remember the warning sounded by Professor Bowman, director of the Centre for Agricultural Strategy, University of Reading, at the recent Poultry Industry Conference. Looking at the longer term view he pointed out that while poultry was currently the most efficient converter of grain into meat at present, there was more scope for improvement in ruminants than in chickens, and even chickens could not match the performance of crops in converting energy into protein.

Professor Bowman suggested a good deal of re-thinking was necessary if the consumption of poultry products was to expand in the future. The quality of the product needed to be improved and the range of products available increased, he claimed. This warning about a false sense of complacency was not well received by an industry proud of its competitive efficiency on standing on its own feet with no Government subsidies.

Although world supplies of maize should be plentiful in 1977, as a result of the bumper U.S. crop, the decline in sterling and the EEC import tariff barriers should keep upward pressure on compound prices, with more increases already in the pipeline. The shortfall in soyabean supplies and other proteins such as fishmeal also does not auger well for efforts to stop prices rising.

The relatively modest price rises in chickens during 1976, against the increase in feed costs of around 40 per cent. or more, has meant the industry this year is still receiving an unsatisfactory return on capital invested. After the 1974 experience there is undoubtedly caution about expanding too fast again at the expense of profitability, in other words, buying increased sales with low uneconomic prices.

Nevertheless chicken producers are confident that any price rises that will be forced on them next year as a result of increased feed costs will be below the kind of price increases for other meats, beset by EEC regulations, removal of subsidies, supply shortages and the next stage in Britain's transitional period of entry into full membership of the Common Market. Hence the planned aggressive £800,000 promotional and advertising generic campaign for chickens planned, financed by a levy on producers, and backed up by record amounts of advertising by individual brand companies.

But it is a fact that over 75 per cent. of chicken sales are concentrated on the Sunday roast market, when the housewife normally does little to improve the basic taste of the product. As a result chicken is in danger of being viewed as a dull, flavourless product whereas veal—with similar drawbacks—is generally presented as something special by the use of cooking skills. The increase in sales of chicken portions is going some way to widen the range of presentation, but greater consumer incentives may be needed in future if consumption is to continue growing.

Nevertheless, it is calculated each housewife buys a chicken at least once every three weeks, and the value of this £300m. a year industry is likely to expand rather than contract in the immediate future at least. A strong card in chicken producers' hand too is the speed with which production can be regulated in a 12-week period to take advantage of any unexpected market developments. This flexibility must be the envy of beef producers in particular, who have to look ahead for many years when planning output changes.

Turkeys

Meanwhile, planning ahead has put the turkey industry into much better shape after the disasters suffered in 1974. Following the heavy losses suffered then a long hard look at the industry was taken by the surviving producers and plans made accordingly.

The campaign to lessen dependence on the traditional Christmas market by promoting sales for other holidays and throughout the year has continued with some success. Some 750,000 birds are sold immediately after Christmas for the New Year holiday, mainly in Scotland and the north of England. At Easter 1.5m. turkeys are sold, 750,000 at Whitsun and 500,000 for the August Bank holiday, as well as some 100,000 on a regular month-to-month basis.

This still leaves a sizeable chunk of the 13.5m. oven-ready and 2.5m. "farm fresh" turkeys produced to be sold at Christmas, although the growing popularity of home freezers has helped boost turkey sales prior to Christmas this year, with some 750,000 birds being sold in October—something that has not happened before.

However, because of the losses suffered in 1974 producers have taken a cautious attitude towards expanding domestic sales and the market has basically been static for the past two years, with prices stable as producers struggle with higher feed costs, which are estimated to have risen by some 50 per cent. in the past year.

The big success story has been the breakthrough achieved by the industry into opening up a promising, and expanding, market into other EEC countries. British turkey exports to other members of the Common Market, mainly West Germ have climbed rapidly to rea 750,000 birds this year and t industry is confident of doubl that figure in 1977. This h been achieved despite t various import barriers set by the monetary and compe satory amounts, as well as co plicated health regulations.

While the British Gover ment, with the backing of pr ducers, managed to win battle to allow the contin production of dry-plucl "farm fresh" turkeys, produ specially for the Christm trade, the big oven-ready pr ducers have also taken on oth EEC countries at their o game on health regulations complying with EEC he rules for processing plants. U.K. producers have mana to lift the export ban previo imposed.

With a highly integra industry, using more sophisti ted production and breed techniques, British produ are well able to compete the more fragmented indus in the EEC countries. It welcome success story th days. But the future outlo must be somewhat clouded the rising feed costs, accelera by the decline in the value sterling.

John Edwar

High prices inhibit pigmeat sales

THE beginning of this year pects for pig producers and n curers looked fairly pro- ug. A fall in pig numbers taken prices to record levels profit margins were at a thy level. But following the nal seasonal declines early he year prices have only ntly picked up and the lary levels have still not e been regained, despite the inuing high rate of infla-

ie bulk of the responsibility his situation must be borne the producers themselves true to form, pushed up ut too quickly in the hope iaximising their profits. But isually happens the result a decline in prices and raly restricted margins.

) be fair it must be admitted circumstances seem to have pired against the pig pro- r this year. The economic ssion and the resulting effec- cuts in consumer spending er have led to a reduction eal spending on food, from h pork and bacon have been or sufferers. In addition the mer drought and the associ- heat wave had a serious ct on consumption of roast- meat and bacon. But the n reason for the fall in de- d is the historically high e level. Some sources also gest that the new vogue for ming has hit bacon sales. he cut in demand reduced rage pig prices by around £5 ead at one stage, while the inued feed cost spiral put her pressure on profit mar- —and in some cases wiped n out altogether. Feeding a ner pig to disposal was mated to cost about £16.50 October 1975 but by October year this figure had soared over £24—a rise of over 45 cent.

he effect of the fall in the ue of the pound on the cost feed imports is cushioned to ie extent by the operation of C monetary compensation ounts (MCAs) on grains but allowances are available on oteins such as soyabeans and hmeal. In fact the EEC in- ted the cost of soyabeans for ime by imposing a £17 a ton port levy as part of the con- versial scheme to clear the n milk powder "mountain" encouraging its incorpora- n into animal feed.

ut it is the operation of the A system which has become of the main bones of con- tion for British pig producers and bacon curers. They point out that they only benefit from MCAs on cereal imports but have to pay the going rate for proteins. At the same time imports from other EEC countries, notably Denmark, attract MCAs on the full intervention price. U.K. producers claim this over-compensates the Danes for the fall in sterling and that the effective gap is increased by each further decline in the sterling rate, in the absence of a devaluation of the green pound.

The fall in home production which led to the late 1975 price rise lasted only until April. From May onwards monthly pig slaughterings have been consistently higher than for the corresponding month last year, and this trend is expected to continue well into 1977. But by the end of the third quarter of this year total slaughterings were only 15,000 head more than the corresponding 9.3m. figure last year.

Herd

However, the result of this year's sluggish demand is already being seen in the decline of the U.K. pig-breeding herd. The September census showed that the national breeding herd stood at 876,000 head. Though this is higher than last year it is down on the June census figure of 884,000. This picture is confirmed by a rise in the rate of sow slaughterings recently to 8,700 a week from a figure of 6,000 a week earlier in the year.

This situation has led to speculation on the effects on the traditional three-year pig cycle of the end of the guarantee scheme four years ago. This scheme had provided a suggestion of stability in the pig market since its introduction shortly after the war, and had allowed the development of a fairly predictable cycle of low prices leading to production cuts, higher prices, reduced demand and back to low prices. After the end of the guarantee scheme, however, pig profitability saw two troughs and one high in a relatively short space of time. This led some observers to conclude that the loss of guarantees had accelerated the turnround of the cycle.

Others, however, claim that the pattern is basically unchanged on the time scale but discern greater violence in the successive price movements. But both schools agree that it is still far too early to come to any firm conclusions.

Danish bacon supplies during the first 44 weeks of this year amounted to 176,300 tons or 43.5 per cent. of total sales of 405,100 tons. This compares with 194,200 tons in the same period last year which represented 46.7 per cent. But the Danes still described the market as "buoyant" and had to put bacon on allocation during the Autumn. The "allocation" system effectively means the rationing of supplies to distributors.

The main distributors of Danish bacon in this country, Danish Agricultural Producers (DAP), is launching a £300,000 advertising campaign next year. It will feature the "Danish bacon bargain sign" but DAP will still leave the pricing of Danish bacon in the U.K. up to the retail trade.

U.K. pork production is expected to total 289,000 tons in the second half of 1976, 7 per cent. more than in the corresponding period of 1975. Bacon and ham output is meanwhile forecast at 107,500 tons compared with 103,400 tons in the second half of 1975. On this basis pork production during 1976 as a whole is expected to total 556,000 tons, according to the Meat and Livestock Commission. This would be 7,000 tons less than the figure for 1975.

Pork production in the first half of 1977 is forecast at 289,000 tons, 22,000 more than in January/June this year. Bacon and ham production is expected to total 109,000 tons, a rise of 3,000 tons.

"In 1976/77 it seems likely that there will be a further small increase in slaughterings," the MLC market survey says. "The total for July/December, 1977, is provisionally forecast at 6.8m. compared with the current estimate of 6.54m. for the second half of this year.

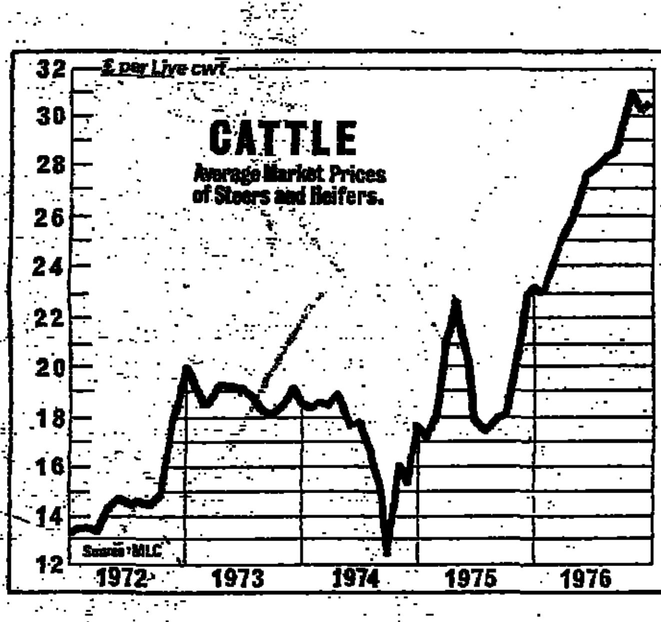
Contract prices paid to pig producers by FMC, Britain's biggest curer, fell below the 1975 level between late February and the last week of July. This was mainly a reflection of the low first-hand price of bacon in relation to pig prices, which resulted in a maximum loss-sharing deduction from the contract price from early March until late July.

"Pig prices should show a substantial seasonal rise in the last quarter" the MLC said. "Although pig slaughterings will be more than last year there will be reductions in beef and lamb supplies and this should add some strength to the pig market."

One piece of good news for pig farmers came out in early September when Britain was officially declared free of swine vesicular disease. But their relief was shortlived as within less than three weeks a new outbreak had been reported in North Yorkshire.

So far, however, the latest outbreak appears to be an isolated one, much to the relief of farmers and the Government, which paid out £8m. in compensation following the initial outbreak in late 1972.

Richard Mooney



Uncomfortable year for the companies

HAS been another uneasy r for profitability in the t and poultry industry. The ls of consumer resistance to prices that the trade erienced in 1975 have been as apparent through most 976, while for the producers ed meat there has been the d complication of an even er, hotter summer. At the e time the cost of raw erials, notably animal feeds, continued to move uncom- ably upwards.

igh red meat prices—and for one has been shooting this autumn—can prove a urable influence for the ltry trade, prompting the sumer to trade down. But it become clear that the sewife, not content with cting the cheaper cuts, has begun to reduce the pro- ion of her budget actually t at the butchers. This is end the meat trade is doing utmost to reverse before it time to develop into a long- n habit.

Discount

gainst this background the k market ratings of those licly quoted companies in meat and poultry industry understandably languishing. pite a recent rally, J. B. twood is still a quarter below 1976 share price peak, while panies like FMC and thews Holdings have roughly ved in price this year. The dend yield at FMC is rly 13 per cent. which means Europe's biggest meat p stands at a considerable ount to the market rating of average industrial company. MC, which changed its name n Fatstock Marketing poration when it went lic 14 years ago, accounts something like an th of the fresh meat sales this country and around a quarter of the bacon and processed meat trades; it controls half the bacon market alone. In the year to May 1976 its profits slumped from £4m. to less than £1m. before tax, partly because of difficulties at the Marsh-Harris bacon and manufactured meat products operation—which still has problems despite the substantial sums that have been spent on modernising this division in recent years.

But the major problem for FMC has been simply a sharp reduction in meat volume. Writing to shareholders in September, FMC's chairman Mr. D. H. Darbishire, explained that "inflationary increases in raw materials and costs resulting in ever-increasing selling prices, caused a substantial drop in the consumption of fresh and processed meats. This combined with the decline in the value of sterling and the effect of price controls on some areas of our business continues as a serious threat to our profitability."

During 1975-76 the company had to dip into its reserves to maintain the dividend and this has not eased the balance sheet stresses; FMC ended the year with an overdraft of almost £12½m. Still, trading has apparently improved since May with the meat manufacturing operations moving out of the red.

Just over a year ago FMC was the subject of a lengthy and at times acrimonious takeover battle which was eventually won by the National Farmers' Union Development Trust. Since taking full control the new management has effected some streamlining but for the most part it is attempting to ride out the current storms on the existing operating base. As a result borrowing powers were substantially increased at the recent annual general meeting—when it was explained to shareholders that it would take between two and three years for the company to become a successful operation once again.

One reason for the recent stock market interest in J. B. Eastwood is that it now begins to look as if the company's egg business will improve fairly rapidly this year and next. But meat trading (mostly poultry) still dominates the profits picture at Eastwood with broilers accounting for roughly half last year's total profits before interest. The company also has a substantial stake in pork production and meat trading. The latter activity draws its supplies from all the primary red meat producing countries of the world. There is a network of regional supply units based in Manchester, Nottingham, Sheffield, Luton, Glasgow and London and beef freezing factories in five major U.K. cities.

Broiler profits are not likely to make much headway in the current year to next March after last year's massive turnround; in 1975-76 the group swung from losses of just over £½m. before tax to profits of £7m. The major problem area at present is feed costs which continue to move up faster than selling prices. At the same time a large part of this year's extra production looks to be going for export, where some margins are lower than in the U.K.

Animal feed costs have risen by something like a third so far this year, with the weakness of sterling pushing up the import bills. But thanks to a consumer switch away from red meats, broiler prices have also risen sharply—though price gains of around a quarter are not proving enough to maintain margins. In contrast Eastwood's turkey operations should be trading fairly buoyantly; production is up to over 1m. birds and average weights are also rising. And the company looks to be finally free of the problems caused by last year's expansion programme in turkeys.

Gearing

Of course it has always been difficult to predict the profitability of a company like Eastwood whose trading record is badly scarred by the gearing effect of volatile commodity prices. But it begins to look as if profits could rise by an eighth to around £7.9m. pre-tax this year. For 1977-78 there are hopes of a considerable pay-off from full automation of group egg production.

By comparison, Matthews Holdings is much more of an integrated food manufacturer, and its profits have been on something of a plateau for two years (adjusting a 15-month accounting period in 1975-76). The company's operating divisions break down into four major food product areas; meat wholesaling, importing and slaughtering, meat retailing, food manufacture and essences and flavouring. A large part of Matthews' profits arise overseas—in France, where the company controls around 80 per cent. of the Paris-based Boucheries Bernard, a group of six fresh meat and delicatessen retailing stores.

Group profits in the first half of the year to January next were around £¾m. pre-tax; retailing in the U.K. had been depressed by the hot summer and the new meat processing factory at Thamesmead was still operating at a loss. But flavourings and essences had been buoyant and profits from the Continent had been enhanced by the fall in the value of the pound.

Jeffrey Brown

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
14J	14D	Treasury 10½pc 1976‡‡	99 13/16	8.11	10.55	13.96
10S	10M	Treasury 6¾pc 1977‡‡	98 1/16	4.8	6.38	14.06
15S	15M	Electric 3pc 74-77	97⅛	9.8	3.09	13.95
25M	25S	Treasury 11½pc '77‡‡	98 15/16	20.8	11.68	13.44
15M	15N	Treasury 3pc '77‡‡	94	11.10	3.19	9.80
20J	20D	Transport 4pc 72-77	95⅝xd	15.11	4.18	8.51
15S	15M	Treasury 9pc 1978‡‡	95 1/16	9.6	9.47	13.30
14J	14Ju	Treasury 10½pc '78‡‡	95⅝	7.6	10.98	13.59
26M	25S	Exch. 5pc '76-78	90 5/16	20.8	5.51	10.70
9S	9M	Treasury 11½pc '79‡‡	94 5/16	3.8	12.16	14.38
9S	9M	Treas. 11½pc '79 'A'‡‡	94½	—	12.17	14.40
17M	17S	Treasury 3pc '79‡‡	84	17.8	3.57	9.69
26M	26S	Electric 4½pc 74-79	85 1/16	20.8	4.99	10.52
1M	1N	Treasury 10½pc '79‡‡	91 1/16	27.9	11.53	14.33
15M	15N	Electric 3½pc '76-79	84	11.10	4.16	9.89
3S	3M	Treasury 9pc 1980‡‡	86 5/16	28.7	10.38	14.26
14N	14M	Treasury 9½pc '80‡‡	87 5/16	8.10	10.90	14.37
15D	15J	Treasury 3½pc '77-80	81xd	8.11	4.32	10.04
15D	15J	Funding 5¼pc '78-80‡‡	82⅝	8.11	6.37	11.49
25M	25N	Exch. 13pc 1980‡‡	96 7/16	—	13.51	14.25
15J	15Ja	Treasury 11½pc 1981‡‡	90 15/16	8.6	12.66	14.50
15A	15F	Treasury 3½pc 1979-81	77⅝	9.7	4.51	10.17
1O	1A	Treasury 9¾pc 1981‡‡	85¼	25.8	11.44	14.43
		Five to Fifteen Years				
15J	15Ja	Treasury 8½pc '80-82‡‡	84¼	8.6	10.51	13.81
15F	15A	Treasury 3pc '82‡‡	70½	—	4.28	10.64
—		Treasury 14pc '82‡‡	98¼	—	14.32	14.60
17S	17M	Treasury 12pc 1983‡‡	92½	11.8	15.35	14.50
15J	15Ja	Funding 5½pc '82-84‡‡	72¼	8.6	7.85	11.82
10J	10Ju	Treasury 8¼pc '84-86‡‡	78¼	3.6	11.36	13.20
1N	1M	Funding 6½pc '85-87‡‡	63⅝	27.9	10.31	13.11
26J	26Ja	Treasury 7¾pc '85-88‡‡	62⅝	21.6	11.78	13.84
1J	1Ju	Transport 3pc '78-88	46¼xd	25.11	6.45	11.48
15A	15O	Treasury 5pc '86-89	50¾	8.9	9.99	13.15
15J	15Ja	Treasury 13pc 1990‡‡	92⅝	8.6	14.86	15.20
15D	15J	Treasury 8¼ 87-90‡‡	63¼xd	8.11	13.00	14.49
5O	5A	Funding 5¾pc '87-91‡‡	50⅛	1.10	11.64	14.03
		Over Fifteen Years				
22J	22Ja	Treasury 12¾pc '92‡‡	89	15.6	15.14	15.45
14J	14Ju	Treasury 12½pc '93‡‡	87	7.6	15.24	15.53
15M	15S	Funding 6pc 1993‡‡	48⅞	9.8	12.76	14.47
1M	1S	Treasury 14½pc '94‡‡	96¼	—	15.53	15.60
17M	17N	Treasury 9pc '94‡‡	62¼	11.10	14.45	15.16
1N	1M	Gas 3pc '90/95	30¼	27.9	9.85	13.06
15M	15N	Treasury 12¾pc '95‡‡	83½	11.10	15.40	15.60
15S	15M	Treasury 9pc '92/96‡‡	63¼	9.8	14.70	15.29
—		Treasury 15¼pc '96‡‡	97½	—	15.71	15.72
15M	15N	Exchequer 13¼pc '96‡‡	86⅛	11.10	15.52	15.67
1A	1O	Redemption 3pc 1986-96	30⅛	25.8	10.14	12.93
22J	22Ja	Treasury 13¾pc '97‡‡	90	15.6	15.58	15.69
1M	1S	Treasury 8¾pc 1997‡‡	61½	26.7	14.78	15.26
1N	1M	Treasury 6¾pc '95-98‡‡	47¼	27.9	14.33	15.11
30M	30S	Treas. 15½pc '98‡‡	100⅝	—	15.76	15.74
15J	15Ja	Treasury 9½pc 1999‡‡	66⅞	8.6	15.05	15.37
14J	14Ju	Funding 3½pc '99-04	27½	7.6	13.40	14.30
5A	5O	Treasury 8pc '02-06‡‡	54⅜	1.9	15.16	15.31
10M	10S	Treasury 5½pc '08-12‡‡	37⅞	4.8	15.04	15.16
26J	26Ja	Treasury 7¾pc '12-15‡‡	53½	21.6	15.29	15.32
		Undated				
1F	1A	Consols 4pc	26⅞	25.6	15.69	—
1J	1D	War Loan 3½pc‡‡	23⅞	25.10	14.69	—
1A	1O	Conv. 3½pc '61 Aft.	25	25.8	14.36	—
5A	5O	Treasury 3pc 66 Aft.	19½	1.9	15.79	—
5Ja.A.Ju.O.		Consols 2½pc	16¾xd	1.12	15.08	—
1A	1O	Treasury 2½pc	16¼	25.9	15.82	—

**INTERNATIONAL BANK

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15F	15A	5pc Stock '77-82	76½	14.7	6.65	10.96

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 40% (based on $2.0625 per £)

Conversion factor 0.7148 (0.7136)

CANADIANS

Dividends Paid	Stock	£	Last xd	Div. Gross	Cvr	Y'ld Gr's
Ma.S.J.D.	Bk. Montreal $2	11¼	28.10	$1.00	—	5.8
F.My.Au.N.	Bk. Nova Scot. $2	31½	22.9	$1.72	—	3.5
A.Jy.O.Ja.	Bell Canada 25c	37¼	9.9	$3.72	—	6.3
May Nov	Bow Valley‖	17	4.11	10c	—	0.4
O.Ja.Ap.Jy.	Brascan‖	975p	27.9	s$1.00	—	6.6
F.My.Au.N.	Can. Imp. Bk. $2	19½	22.9	$1.40	—	4.6
July Jan.	Can. Pacific $5	12⅞	22.6	84½c	—	4.4
July Jan.	Do. 4pc Deb. £100	25½	22.6	4%	—	15.7
J.Ap.Jy.O.	Gulf Oil Can.‖	18	22.11	$1.00	—	3.6
Ap.Jy.O.Ja.	Hawker Sid. Can.‖	350p	20.9	36c	—	6.6
F.My.Au.N.	Hollinger $5	21½	27.10	$1.80	—	5.4
Apr. Oct.	Hudson's Bay ‖	11 5/16	6.9	60c	—	3.4
Jan. July	Hud. B. Oil G. $2½	26¼	29.9	$1.60	—	3.9
Mr.Je.S.D.	Imperial Oil‖	15¼	25.11	86.4c	—	3.6
Mr.Je.S.D.	Inco	24⅜	28.10	$1.40	—	3.7
F.My.Au.N.	Int. Nat. Gas $1	750p	25.10	80c	—	6.9
Mr.Je.S.D.	Massey Ferg.‖	17¼	8.11	$1.00	—	3.7
June Dec.	Pacific Pet. $1	21⅛	6.12	86.4c	—	2.7
—	Place Gas $1	25p	—	—	—	—
June Dec.	Rio Algom	21¾	6.12	$1.00	—	3.1
M.Je.S.D.	Royal Bk. Can. $2	19⅞	18.10	$1.38	—	4.5
Se.De.Mr.Ju.	Seagram Co. C$1	17 5/16	24.9	86.4c	—	3.2
F.My.Au.N.	Tor. Dom. Bk. $1	14 5/16	24.9	74c	—	3.4
J.Ap.Jy.O.	Trans. Can. Pipe 39½c	960p	24.9	95c	—	6.4

S.E. List Premium 40% (based on $1.7008 per £)

BANKS AND HIRE PURCHASE

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
July Jan.	ANZ $A1	285	3.5	tQ14.9	—	3.4	—
Apr. July	Alexanders D. £1	170	12.7	11.67	—	10.6	—
May Aug.	Algemene Fl.100	£95	17.8	tQ21%	2.6	5.4	9.8
Oct. June	Allen Harvey £1	330	6.9	25.0	—	11.7	—

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

MINES—Continued

FAR WEST RAND

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Feb. Aug.	Blyvoor 25	370	28.6	Q75c	1.6	14.7
Feb. Aug.	Buffels R1	680	14.6	‡Q125c	1.6	‡
—	Deelkraal R0.20	86	19.10	—	—	—
Feb. Aug.	Doornfontein R1	240	28.6	Q55c	2.2	16.6
Aug. Feb.	East Drie R1	645	23.2	Q75c	1.7	8.4
—	Elandsrand Gld. 20c	170	—	—	—	
Feb. Aug.	Elsburg R1	100	28.6	Q9.7c	ϕ	‡
Feb. Aug.	Hartebeest R1	£10⅞	28.6	‡Q190c	1.3	‡
Feb. Aug.	Kloof Gold R1	430	28.6	Q47c	1.5	7.9
Feb. Aug.	Libanon R1	320	28.6	Q80c	2.0	19.1
February	Southvaal 50c	370	17.75	Q9c	1.3	1.5
Aug. Feb.	Stilfontein 50c	150	14.6	Q22c	ϕ	‡
Aug. Feb.	Vaal Reefs 50c	£10½	28.6	‡Q175c	2.1	‡
Feb. Aug.	Ventersvost R1	155	28.6	Q25c	3.6	11.7
Feb. Aug.	W. Drie R1	£20	28.6	Q335c	1.5	12.1
Dec. Aug.	Western Areas R1	162	28.6	Q15c	ϕ	‡
Feb. Aug.	Western Deep R2	800	28.6	‡Q177c	1.6	‡
Feb. Aug.	Zandpan R1	170	22.6	‡Q11½c	1.0	‡

O.F.S.

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Sept. Feb.	Free State Dev. 50c	115	9.8	Q9c	0.6	5.7
May Nov.	F.S. Geduld 50c	£11	20.9	Q200c	ϕ	13.2
November	F.S. Saaiplaas R1	83	9.75	6c	2.6	4.9
May Oct.	Harmony 50c	300	22.3	‡Q65c	1.9	‡
Nov.	Loraine R1	80	9.75	Q6c	0.5	5.4
May Nov.	Pres. Brand 50c	952	20.9	Q170c	ϕ	12.8
May Nov.	Pres. Steyn 50c	720	20.9	Q45c	ϕ	4.5
May Nov.	St. Helena R1	£12	20.9	Q170c	ϕ	10.2
—	Unisel	126	—	—	—	—
May Nov.	Welkom 50c	185	20.9	Q15c	ϕ	5.9
May Nov.	W. Holdings 50c	£14¼	20.9	Q310c	ϕ	15.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ϕ Not comparable.
- ϕ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ψ Excluding a final dividend declaration.
- ★ Regional price.
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security.

FINANCIAL TIMES
Monday December 6 1976

Chirac chosen to lead new Gaullist party

BY ROBERT MAUTHNER

PARIS, Dec. 5.

M. JACQUES CHIRAC, the former French Prime Minister who resigned last August after a bitter policy dispute with President Giscard d'Estaing, was to-day elected president of a renovated Gaullist Party at one of the biggest political rallies France has seen in recent years.

Some 50,000 party members and supporters crowded into one of the huge exhibition halls at the Porte de Versailles to cheer the man they confidently expect to revive the Gaullists' flagging fortunes and lead them to victory over the Socialist-Communist Union of the Left at the 1978 General Election.

Tens of thousands of supporters were brought to the capital from the provinces in special buses. There was a rugby-match atmosphere with speeches *from the rostrum punctuated by* chants of "Allez Chirac!"

M. Chirac, the only candidate for the chairmanship of the Party, was elected by an "Eastern European" majority of more than 96 per cent. of the votes. The new party's manifesto was adopted by a similar overwhelming majority.

The Gaullists also adopted a new title for their movement to symbolise their refurbished image. They will be known from now on as the Rassemblement pour la République (Rally for the Republic) instead of Union des Democrats pour la République (UDR).

In his inaugural speech, which was enthusiastically cheered, M. *Chirac launched a virulent attack* on the Union of the Left and set its defeat as the Gaullists' main target.

The fact that he did so was significant because it was President Giscard's refusal to conduct a more aggressive political campaign against the Left which was the main reason for M. Chirac's resignation as Prime Minister.

At the same time, M. Chirac was careful not to throw fuel on the flames of the conflict between the Gaullists and President Giscard. He never mentioned the President by name once in his long speech.

The Gaullists must remain members of the Government coalition, he said, and they must recognise that the institutions of the Fifth Republic were based on the primacy of the President of the Republic, whose specific task it was to take the broad policy decisions.

Opposed

To what extent these good intentions will be put into practice is another matter. The Gaullists have already made it clear that they will oppose a number of measures dear to President Giscard's heart, including parliamentary ratification of direct elections to the European Parliament.

Most observers believe that the relationship between the President and the Gaullists can only deteriorate further now that the latter's morale has been given a fresh boost by M. Chirac.

Certainly, it is M. Chirac's aim to make a clear distinction between the Gaullists' policies and those of the other Government parties.

This can hardly produce the kind of cohesion which will be necessary to defeat the Union of the Left.

Editorial comment Page 12

FT Monthly Survey of Business Opinion

Hopes for economic recovery lower

BY NICHOLAS LESLIE

PROSPECTS of a sustained economic recovery are receding and, with industry becoming more pessimistic about the likely trend of costs and profitability next year, forward investment and manpower plans are beginning to be scaled back.

These are the main features to emerge from the latest Financial Times monthly survey of business opinion which last month involved re-interviews with companies in the building and construction industry and in two consumer goods sectors — food and tobacco, and textiles and clothing.

The building and construction industry, where public spending cuts and reduced house building programmes have destroyed earlier hopes of a modest recovery, may be a case apart. But activity has also slowed in the consumer trades as customers trade down in face of higher prices, thus strengthening the impression of a faltering recovery which had been *apparent in previous* months' surveys.

All three sectors now expect to operate with a smaller labour force next year and to spend less than they had previously intended on new investment programmes. There has also been an increase in the number of companies which consider their present stock-output ratios to be too high and plan to cut back.

A gloomier view is also now being taken about the likely trend of wage costs next year and, with prices likely to become stickier as demand weakens, there are growing fears about profit margins and corporate liquidity.

However, export prospects are still thought to remain very promising in spite of the growing doubts about the strength of the world economic recovery. *One noticeable feature of the* latest survey is the increase in the number of companies which previously had tended to regard exporting as a fringe or "topping up" activity and which are now saying they are concentrating far more seriously upon overseas sales.

Even so, export hopes have not prevented a further marked decline in business confidence. Half the latest all-industry sample now take a more pessimistic view of the economic situation generally and for the third month running businessmen's confidence in their own corporate prospects has declined.

Details, Page 38

CBI inquiry shows slow-down in growth of new orders

BY ADRIAN HAMILTON

THE LATEST CBI monthly trends inquiry shows a distinct faltering in the pace of growth in new orders for manufacturing industry, including export orders.

The general trend, on the other hand, still appears to be one of recovery, albeit considerably weaker than expected earlier this summer.

The survey, carried out last month, comes at a critical time in the economy when recent statistics on output and export volumes both show signs of a levelling out in growth.

CBI projections have recently remained rather more optimistic about a continuing slow rise in manufacturing activity, led by exports and investment, over the next year than Government projections.

The latest survey results again show a continuing "balance" of companies (in this case 32 per *cent., compared to 37 per cent.* in October) reporting an increase in the value of new orders over the last four months, particularly in the capital and consumer goods trends.

The evidence of hesitancy in trends, it remarks, is "rather narrowly concentrated among the producers of intermediate goods . . . while the possible easing in overseas demand seems slight."

Nevertheless, the results of the November inquiry show the balance of respondents forecasting *an increase in the volume* of production over the next four months falling to its lowest level, at 24 per cent. since last February, as well as a sharp fall in companies reporting an increase in the volume of new export orders.

More disturbing, recent reports from the CBI regions *suggest that the rise in interest* rates and the restrictions on bank lending may be beginning to bite hard on corporate finances, and that companies are starting to both trim investment plans and reduce stocks.

If this is true, then the chances of a sustained recovery over the medium-term would *clearly be* lessened substantially, and the likelihood of an early improvement in unemployment will have been further diminished.

Some of this reaction by companies can be attributed to the serious fall in business confidence which has developed in recent months, and the CBI's hope is that the December package and other Government measures will reverse this.

Even without a new stimulus, it feels confident that an upturn in manufacturing investment is underway and that export volumes will rise by as much as 10 per cent. next year.

Its main downward revision for growth next year arises from its feeling that consumption will remain static, if not fall with the squeeze on incomes, while the re-stocking boost which normally comes at this phase of the cycle will not occur.

For this reason—as CBI leaders repeated again to the Prime Minister at the end of last week—it opposes a package this month which would have too "deflationary" an impact on the economy.

Instead it would like to see a phased cut-back in public expenditure, concentrated as far as possible on increased charges and transfer payments, coupled with substantial reductions in income-tax.

The CBI is also becoming increasingly concerned that efforts should be made to start reducing Minimum Lending Rate.

Support for Tanaka in Japanese election

BY CHARLES SMITH

TOKYO, Dec. 5.

JAPAN's ruling Liberal Democratic Party appeared to have only a slim chance of winning an overall majority in the Lower House of the Japanese Diet (Parliament) after rather more than half the results had been reported to-night in the country's first general election in four years.

Computer predictions suggested *that the party would be* lucky to win 256 seats out of the total of 511 at stake, although party officials are claiming that the LDP may win as many as 264.

Two Ministers in the pre-election Government of Mr. Takeo Miki had been defeated by midnight while a third, the *Minister of Justice, Mr. Osamu* Inaby, who led the inquiry into alleged receipts of Lockheed bribes, was declared elected by an extremely narrow margin after trailing a progressive rival during most of the count in his constituency.

A bitterly ironic feature of the election, so far as Mr. Miki is concerned, is that former members of the LDP who were forced to resign from the party last summer after involvement in the Lockheed affair have in several cases been re-elected as Independents with massive majorities.

The former Prime Minister, Mr. Kakuei Tanaka, who was arrested last summer for the alleged receipt of Lockheed bribes, came in first in his Niigata constituency, winning 168,000 votes, more than twice as many as the next most successful candidate. Another victor was Mr. Tomisaburo Hashimoto, former Secretary General of the LDP.

Mr. Hashimoto and Mr. Tanaka stood as Conservative Independents, but appear (at least in Mr. Hashimoto's case) to have received some support from the LDP organisation in their areas.

The party could be placed in the embarrassing position of needing their votes in the Diet *if the final result turns out as* narrow as the computer forecasts.

Mr. Tanaka's personal position emerges considerably enhanced from his success in defying the effects of the Lockheed affair.

But it is noteworthy that to-night's results show supporters of Mr. Tanaka doing poorly in other constituencies. *The Tanaka "faction" within* the Liberal Democratic Party had 46 members before yesterday's general election but only 28 of these had been re-elected by the early hours of this morning.

By contrast 37 members of the faction following Mr. Takeo Fukuda (54-strong before the election) have been re-elected so far, while successful candidates from the Ohira faction (total membership 41) also numbered 28.

The lesson would appear to be that involvement in the Lockheed affair has been a serious liability for the average LDP candidate in this election even if top members of the party have been able to shrug off its effects.

Still biggest

The Right-wing Liberal Democrats will remain easily the largest party in the Diet since the opposition is split into four. But the party could have difficulty in governing alone from now and is likely to be forced to lean on the support of Conservative Independents who may or may not be willing to join the LDP after the election.

At 2 a.m. the LDP had won a total of 191 seats, against 82 for the Japan Socialist Party, 26 of the Buddhist-oriented Komeito, and 13 for the Democratic Socialists. The Japan Communist Party has so far won only five seats while the recently formed New Liberal Club also has five seats and appears to be heading for at least a double figure result.

Bullock Committee compromise over worker-directors

BY JOHN ELLIOTT, MANAGEMENT EDITOR

A COMPROMISE between the rights of shareholders and worker directors to determine the policies of Britain's biggest 600 companies has been reached in the report of the Bullock Committee on Industrial Democracy *in the private sector.*

The final draft of the report, which will be signed by committee members to-morrow week, and is expected to be published in mid-January, was completed at a special session by seven committee members, including Lord Bullock, chairman, on Saturday.

In addition to the majority report, three industrialists on the committee are writing a memorandum of dissent which, while agreeing with the principle of worker-directors, will lodge reservations, including an objection to the directors being introduced in a single-tier company structure.

The main report will propose that under a trade union-based worker director system, shareholders' meetings should retain the right to veto matters such as the acquisition and disposal of assets.

Shareholders' meetings have traditionally been the supreme policy-making bodies of companies. But the Bullock report will say that they should now only have the power of veto on specific subjects and should leave all other rights to initiate *company policy to the new-style* Boards.

As already forecast, these "reconstituted Boards," as they are called in the report, would be made up of two equal sections elected by the company's trade union members and shareholders. Under a formula known on the committee as "2X+Y," these two would jointly chose the the *third*, smaller, "y" group.

Procedure

These Boards would operate in a single-tier company system, and the report recommends that *they should vary in size from* about 13 to 21 members depending on the size of the company's workforce.

The new Boards would be introduced initially in the 600 British companies which employ more than 2,000 members under a procedure which would be "triggered" at the request of the unions involved.

Non-unionists would have a right to vote in an initial "universal ballot" on whether such a system should be set up, but would not have any subsequent rights.

In an attempt to overcome inter-union problems, the report will also say that all such Board representative systems should be based on new company level committee's which would embrace all union members in the company.

The union representative on the Board would be elected by, and would be accountable to, these committees which would *mean that they would be one* stage removed from the individual unions. They would be regarded, therefore, not as trade union delegates on the Board, but as "employee representatives."

The report also recommends that a new agency should be created by the Government to oversee the system.

The memorandum of dissent is being drafted by Sir Jack Callard, former chairman of ICI, Mr. Barry Heath, chairman of GKN, and Mr. Norman Biggs, chairman of Williams and Glyn's Bank.

Weather

U.K. TO-DAY

GENERALLY cloudy with snow or rain. Cold.

London, S.E. and E. England, E. Anglia

Cloudy, sleet or snow turning to rain. Wind S., light or moderate. Max. 5C (41F).

Cent. S., S.W., N.W. and Cent. N. England, Midlands, Channel Islands, Wales, S.W. and N.W. Scotland, Argyll, Northern Ireland

Cloudy, rain with snow on hills. Wind S. or S.W., moderate. Max. 6C (43F).

N.E. England, Borders, Cent. Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland

Cloudy. Sleet or snow later. Wind S., moderate or fresh. *Max.* 4C (39F).

Outlook: Sunny intervals and wintry showers. Cold with night frosts.

BUSINESS CENTRES

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Alexandria.	C	25	75	Luxemb'g	C	0	32
Amstrdm.	Sl	1	34	Madrid	C	7	45
Athens	F	19	66	Manchstr.	F	0	32
Barcelona	S	13	55	Melbourne	C	17	63
Belfast	C	−1	30	Montreal	C	−10	14
Belgrade	S	10	50	Moscow	C	1	34
Berlin	S	3	37	Munich	S	3	37
Birmghm.	S	3	37	Newcastle	S	2	36
Bristol	Fg	−1	30	New York	C	2	36
Brussels	F	3	37	Oslo	R	1	34
Budapest	C	2	36	Paris	R	3	37
B. Aires	S	26	79	Perth	C	22	72
Cairo	S	26	79	Prague	S	3	37
Cardiff	C	4	39	Reykjavik	C	−1	30
Cologne	S	3	37	Rio de J'o	S	32	90
Copnhagn	C	4	39	Singapore	S	30	86
Dublin	F	4	39	Stockholm	C	5	41
Edinb'rgh	S	0	32	Strasb'rg	C	5	41
Frankfurt	C	4	39	Sydney	S	23	73
Geneva	Sn	2	36	Tehran	S	13	55
Glasgow	S	1	34	Tel Aviv	S	28	82
Helsinki	C	2	36	Tokyo	C	13	55
Hong Kong	S	21	70	Toronto	C	−5	23
Jo'burg	S	21	70	Vienna	F	5	41
Lisbon	R	15	59	Warsaw	F	0	32
London	S	4	39	Zurich	F	3	37

HOLIDAY RESORTS

	Y'day mid-day	°C	°F		Y'day mid-day	°C	°F
Ajaccio	S	10	50	Istanbul	C	19	66
Algiers	C	13	55	Jersey	C	7	45
Biarritz	C	9	48	Las Plms.	S	20	68
Blackpool	Fg	−1	30	Locarno	S	4	39
Bordeaux	R	7	45	Majorca	F	12	54
Boulogne	S	3	37	Malaga	Dr	12	54
Casablnca.	C	16	61	Malta	F	15	59
Cape Town	S	22	72	Nairobi	S	23	73
Corfu	F	16	61	Nice	S	12	54
Dubrovnik	C	12	54	Nicosia	C	21	70
Faro	C	15	59	Oporto	C	11	52
Funchal	F	19	66	Rhodes	C	18	64
Gibraltar	R	14	57	Salzburg	F	4	39
Guernsey	C	6	43	Tangier	R	12	54
Innsbruck	S	1	34	Tenerife	S	14	57
Inverness	F	2	36	Tunis	F	13	55
Isle of Man	C	5	41	Valencia	S	14	57

C—Cloudy. Sl—Sleet. F—Fair. S—Sunny. Fg—Fog. Sn—Snow. R—Rain. Dr—Drizzle.

Continued from Page 1

Critics back spending cuts

not hard to see, however. Massive cuts would weaken the trade union movement and undermine the institutions of the Welfare State, he said.

Margaret Reid writes: The *Government has been assured* from the City that there would be no difficulty in selling 20 per cent. of British Petroleum's shares, now worth £587m. from the Government holding, if the Cabinet decided on such a course to cut State borrowing.

No plans have been made for the disposal, although the idea *of selling the similar one-fifth* stake in BP bought by the Bank of England last year from Burmah Oil as part of a rescue operation has long been discussed on a technical level.

The most probable method for the major sale would be to place some two-thirds of the shares in question with investing institutions in Britain and sell the rest to large buyers abroad.

It has been known for some time that Iran and the German Deminex company were potential buyers of a sizeable holding in BP; present indications are that about four other large concerns overseas would probably be ready buyers, including a Middle East investment fund and a large U.S. oil group.

By contrast with almost all other shares, those of BP stand at a 1976 peak of 754p, reflecting the company's strength, with its extensive overseas interests, including those in Alaska and its stake in the North Sea.

The opinion of one City expert close to the subject yesterday was that, given present conditions, it should be possible to sell the 77¾m. BP shares in question at only a modest discount on the current price, say at 700p. This would produce some £540m.

Even if the Cabinet agreed to-day *on a sale of 20 per cent. of* BP, the necessary arrangements for disposal would take time, and early February would be the very soonest such an operation could be arranged.

A slower timetable, leading to a sale just after the Spring Budget, would perhaps be more likely, to allow fully for necessary *preliminary* preparations, including the production of a prospectus.

If disposal were decided on, it seems more likely that the Government would sell shares from its own holding rather than the Bank of England's similar stake. The Bank's BP shares, bought from Burmah Oil for *only* £179m., are worth over £400m., more at £587m., and Burmah is suing the Bank for the difference. Unless this dispute is settled more quickly than appears probable these shares would not be readily available.

Disposal of BP shares worth more than £500m. for cash would be an unprecedented operation for the shares of a British company, substantially outclassing, for instance, ICI's £200m. rights issue in June.

THE LEX COLUMN

Taking the shine off gilt funds

Sheer weight of evidence has served to damp down the claims of fund managers who reckon that over the long term they can be cleverer than everyone else in the equity market. For example, a paper by Mr. J. P. Holbrook, which was recently submitted to the Institute of Actuaries, showed that a sample of pension funds performed, in their equity portfolios, very much in line with the All-Share Index over the six years 1970-75. The median divergence in terms of annual performance over periods of more than two years was never more than 0.5 per cent. Mr. Holbrook frostily observed that active management "did not result in a general improvement on market averages."

Several of the recently launched gilt-edged funds, however, have been making some pretty ambitious claims. Trident Life's Bond Fund boasts of how "professional management" enables the managers to move into cash or switch maturities at suitable moments. The new Target Gilt Fund advertises the readiness of the managers, King and Shaxson, to pursue an "active investment policy" in order to maximise the capital return on the fund.

At least King and Shaxson has a track record in portfolio management. Its pension fund units have outperformed the FT-Actuaries 20-year gilts index by around 50 per cent. over the past five years. But its judgment will not always be right. And if switching in and out of cash is the name of the game it will always be much easier to outperform a falling market as in the past few years than a rising one. Since 1970 an all-cash fund will have handsomely outperformed either gilts or equities.

There are, however, some reasons for thinking that the management of gilt-edged funds can be modestly more successful than that of equities. After all, equity investment is a negative sum game, with one investor losing what another gains, and all losing from the burden of transaction costs. But for flexible investors the gilt market may not be quite like that because of the presence of large involuntary investors like banks and building societies who buy and sell gilts for cash flow reasons not directly associated with market prospects. Traders can hope to gain at the expense of market participants who do not have (or do not exercise) control over the timing of their moves in and out of the market. Moreover dealing costs are lower than in equities and it is normally possible to deal in substantial sums without a significant price penalty.

In some cases, too, there can be marginal tax advantages from switching. But it would be quite wrong to suggest that such potential advantages for the gilt-edged fund manager can easily be turned into large gains. Going back to Mr. Holbrook's paper, the evidence is that institutional fixed interest fund managers can only outperform the market by, on average, 2 to 3 per cent. a year. Some fund managers may, of course, be smarter than the rest. But it would be unwise for unit trust investors to ignore the rule that higher returns are, in general, only obtained by taking higher risks.

Interest rates

U.K. interest rates are in a state of limbo, after the authorities' aggressive interest rate tactics of the last few months. MLR, which had been hoisted to 15 per cent. by early October, was shaved by a quarter of a point a couple of weeks ago. But the money markets, where one-year CDs are yielding 1½ points less than one-month CDs, are clearly expecting something more than that.

They have a good case. By jacking up interest rates to crisis levels, the Government has successfully broken the gilt sales logjam which was forcing its funding programme to slip badly behind schedule, and it has finally got the money supply back under control. Even sterling has stabilised recently.

Though the immediate pressure for high rates has now eased, the Bank of England is biding its time. By lending to the discount houses for seven days the Bank last week ... cated that it did not ... see rates fall for the time ... Day-to-day money has ... tight for some time ... the Bank has done little ... relieve pressure. As soon ... *does, CD and bill yields* ... start to fall.

However, it looks increas... likely that any official ... on interest rates will ha... await the terms of the IMF ... package and the mini-bud... expected later this month ... the terms are well receive... *the foreign exchange* ma... the Government will the... able to stage-manage a ... fall in interest rates and ... fully complete its 1976-77 ... ing programme.

The authorities' use of ... interest rate weapon, com... with the introduction of su... mentary deposits, has dra... ally altered the structure ... money market rates over ... last month. Local autho... rates have risen relative ... banks' money market rates ... the banks have withdrawn ... the wholesale markets. ... year inter-bank money, w... had been yielding the same ... one year local authority de... in early September, now yie... one and a-half points less ... because of the corset banks h... no incentive to bid up the yi... on their CDs.

On the international level ... differential between U.S. ... U.K. *interest rates is* clos... its all time peak which sh... give the U.K. authorities ... room for manoeuvre. ... Federal Reserve has been ta... an easier monetary line rec... reflecting its growing un... about the sluggish U.S. econ... —the index of leading econ... indicators *fell in August* ... September and was uncha... in October. The Fed cut ... discount rate by a quarter ... 5¼ per cent. at the end ... November and nudged the ... Funds target down to 4¾ ... cent. But if the sluggish m... supply figures continue the ... Funds rate could go lower ... the gap between U.S. and ... interest rates would grow ... still.

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